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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

MONDAY, 23 MAY 2005

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE
Monday, 23 May 2005

Members: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Ferris, McGauran and Stephens

Senators in attendance: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Bishop, Ferris, Hogg, Hutchins, McGauran, McLucas, O'Brien and Stephens

Committee met at 9.32 am

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

In Attendance

Senator the Hon. Ian Campbell, Minister for the Environment and Heritage

Department of Transport and Regional Services

Departmental Executive

Mr Mike Taylor, Secretary
Mr Peter Yuile, Deputy Secretary
Mr Mike Mrdak, Deputy Secretary

Corporate Services

Mr Jeremy Chandler, Executive Director, Corporate Services
Mr Simon Ash, Chief Financial Officer, Corporate Services
Ms Sharon Field, General Manager, People and Planning
Mr David Banham, Chief Information Officer

Bureau of Transport & Regional Economics

Mr Phil Potterton, Executive Director, BTRE and Transport Research
Dr Judith Winternitz, Deputy Director, Regional & Statistics

Australian Transport Safety Bureau

Mr Kym Bills, Executive Director
Mr Alan Stray, Deputy Director, Aviation Safety Investigation
Mr Joe Motha, General Manager, Safety Research and Education

Office of Transport Security

Mr Andrew Tongue, Executive Director, Office of Transport Security
Mr Darren Crombie, Acting General Manager, Aviation Security
Ms Vicki Dickman, General Manager, Regional and Freight Security
Mr John Kilner, General Manager, Maritime Security
Ms Sue McIntosh, Acting General Manager, Critical Infrastructure and Surface Transport Security

Aviation and Airports

Mr Martin Dolan, Executive Director, Aviation and Airports

Ms Marilyn Chilvers, General Manager, Aviation Operations
Mr Neil Williams, General Manager, Airport Planning and Regulation
Mr Nick Bogiatzis, General Manager, Aviation Markets
Mr Mike Smith, Special Adviser, Airspace

Airservices Australia

Mr Hisham El-Ansary, Acting Chief Executive Officer
Mr Tom Grant, General Manager, Organisation Development and Corporate Secretary
Mr Andrew Fleming, General Manager, Air Traffic Management

Civil Aviation Safety Authority

Mr Bruce Gemmell, Acting Chief Executive Officer
Mr Rob Collins, Acting Chief Operating Officer
Mr Arthur White, Acting Executive Manager, Aviation Safety Compliance
Mr Peter Ilyk, General Counsel, Office of Legal Counsel
Mr Richard MacFarlane, Acting Executive Manager, Aviation Safety Standards
Mr Peter Boyd, General Manager, CASA Improvement Programme
Ms Betty Edwards, Chief Financial Controller
Ms Nicola Hinder, Acting Executive Manager, Corporate Affairs

AusLink

Mr Robert Hogan, Acting Executive Director, AusLink
Mr John Elliott, General Manager, AusLink Planning
Ms Joan Armitage, General Manager, AusLink Systems and Regional Investment
Mr Barry O'Neill, Acting General Manager, AusLink Road Investment
Mr Jim Wolfe, General Manager, AusLink Rail Investment

Maritime and Land Transport

Mr John Doherty, Executive Director, Maritime and Land Transport
Mr Michael Sutton, General Manager, Maritime
Dr Anthony Ockwell, General Manager, Transport Integration and Reform
Mr Peter Robertson, General Manager, Vehicle Safety Standards

Australian Maritime Safety Authority

Mr Clive Davidson, Chief Executive Officer
Mrs Dianne Rimington, General Manager, Corporate

Regional Services

Ms Leslie Riggs, Executive Director, Regional Programmes and Territories
Dr Leo Dobes, General Manager, Analysis and Performance
Dr Gary Dolman, General Manager, Regional Communities – Regional Office Network
Ms Karen Gosling, General Manager, Sustainable Regions & Operations
Mr Daniel Owen, General Manager, Regional & Indigenous Policy

Territories and Local Government

Ms Sema Varova, Executive Director, Territories and Local Government
Mr Andrew Wilson, General Manager, Territories
Mr Adrian Beresford-Wylie, General Manager, Local Government and Natural Disasters

National Capital Authority

Ms Annabelle Pegrum, Chief Executive Officer
Mr Lindsay Evans, Managing Director, Business

Mr James Larmour-Reid, Managing Director Planning and Urban Design
Ms Alison Walker-Kaye, Director Corporate
Ms Emmy Jowitt, Assistant Chief Finance Officer
Mr Phil Wales, Director, Executive Governance
Mr Ted Schultheis, Principal Planner
Mr George Lasek, Director, National Capital Estate

CHAIR—I declare open this public meeting of the Senate Rural, Regional Affairs and Transport Legislation Committee. On 10 May 2005, the Senate referred to the committee the particulars of proposed expenditure for the year ending 30 June 2006 for the portfolio areas of Agriculture, Fisheries and Forestry and Transport and Regional Services. The committee will consider proposed expenditure for both portfolios during this week's hearings. The committee is required to report to the Senate by Monday, 20 June 2005. Answers to questions taken on notice and additional information should be received by the committee no later than Friday, 1 July 2005. Committee members and participating members, and I can see that we have a large number of them today, have been provided with the portfolio budget statements for each department. As agreed, I propose to call on the estimates according to the format adopted in the printed program. The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990.

I welcome Senator the Hon. Ian Campbell, Minister for the Environment and Heritage, representing the Minister for Transport and Regional Services, and I thank him for the job he did in Tasmania the other day. Senator Campbell is accompanied by Mr Mike Taylor, Secretary, Mr Peter Yuile, Deputy Secretary, Mr Mike Mrdak, Deputy Secretary, and other officers from the Department of Transport and Regional Services and related agencies. Officers are reminded that the Senate has consistently decided by way of a continuing resolution, 'There are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its commitments unless the parliament has expressly provided otherwise.'

The Senate has also determined that claims to withhold information on the basis that it is commercial-in-confidence will not be considered unless it is made by a minister and accompanied by a statement setting out the basis for the claim, including a statement of any commercial harm that may result from its disclosure.

Officers are reminded that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the superior officers or the minister.

Finally, witnesses are reminded that evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading information to the committee may constitute a contempt of the Senate. I remind the committee that before we commence the AFFA section of estimates we will be remembering the terrible disaster which occurred in North Queensland and making the appropriate recognition of the work done there.

Good morning everybody. Mr Taylor or Minister, if you would like to make an opening statement we would be delighted to hear it.

Senator Ian Campbell—Thank you, Chair. I will hand over to the departmental secretary, Mr Taylor.

Mr Taylor—Thank you. In introducing today's proceedings, I wonder whether it would assist if I could briefly outline some of the key features of the 2005-06 portfolio budget statements which were tabled on 10 May 2005, particularly as there have been some rearrangements in the way in which the outcome and output statements have been made for the department and are reported in that PBS. In opening, I want to pay tribute to all of my colleagues in the department and also to our portfolio bodies who have worked diligently to deliver on the PBS in the previous and current year, but particularly in terms of the current year in respect of effectively and efficiently delivering on this statement once approved by the parliament.

The first comments go to the new outcomes and output structure as outlined in the PBS. We have changed our outcome and output structure in consultation with the ministers and very much we want to drive it so that we are in a more measurable form into the future. In doing so, we recognise that what we are doing is contributing to the wellbeing of all Australians through our transport and regional outcome statement, as outlined in the PBS.

In the area of transport, we aspire to foster an efficient, sustainable, competitive, safe and secure transport system. Our outcomes are more specific than the previous outcome which talked of 'a better transport system'. We are focusing upon four broad groups: transport safety, transport security, AusLink and general services to transport. The transport safety synergies have been quite specifically recognised in the PBS and we are very strongly working on those safety issues, particularly through the Australian Transport Safety Bureau, which will expect to complete some 120 investigations of fatal accidents and other serious occurrences in the coming year. We will also introduce and carry out a novice education driving trial for young motorists in conjunction with the New South Wales and Victorian governments. Importantly, we will undertake new work in terms of motor vehicle standards, particularly in terms of cost recovery arrangements—\$0.8 million over four years will be used to undertake research into vehicle safety standards, recognising the relativities of revenues and costs. Compliance plate fees for the mainstream vehicle industry will drop by some 20 per cent from 1 July.

Transport security is clearly a very high priority for the department and has now been recognised as a departmental output in its own right. Aviation security has made major progress, particularly in the Securing our Regional Skies package in which we will spend some \$6.4 million during 2005-06 on training regional aviation operators, supplying metal detectors to 100-plus airports, trialling closed-circuit television and, in particular, completing the installation of hardened cockpit doors in aircraft on regional routes.

In maritime security the department will be, over a four-year period, lifting the risk and security inspections of some 11,000 ships a year. Offshore oil and gas platforms will be brought under the Maritime Transport Security Act and thousands of people will undergo sensitive maritime checks in respect of security. We will be working with offshore governments in order to improve transport security both offshore and with respect to Australia as well as holding a major forum in July this year.

AusLink has been created as a specific output as it comes into being in terms of its practice from 1 July. Under that program we will be committing \$1.32 billion to national investment during 2005-06, \$340-plus million in the extended Roads to Recovery program, \$44-plus million to the Road Safety Black Spot Program and some \$30 million under legacy programs. We are beginning some very important analytical work under AusLink, especially with respect to the North-South Rail Corridor Study, which will be a particular priority for 2005-06 and which will be followed by other corridor study priorities.

In the case of maritime and land transport, we administer a wide range of regulations and programs. Rebates for shipping passenger vehicles and freight across Bass Strait during 2005-06 are expected to reach some \$131-plus million—the highest payments ever. We are also working very strongly with additional funding to ensure that a national maritime salvage and emergency towage capability is established on a long-term basis.

Aviation and airport reform is a high priority. The Civil Aviation Safety Authority has new arrangements around it—with the intent of it becoming a self-supporting body. We are also playing a very direct role in developing and implementing other reforms, especially with respect to airspace regulatory functions. Pending a review of Airservices Australia, en route air traffic charges will continue to pay subsidies to more than 40 regional operators in 2005-06. Also, in the light of the change to the structure of the PBS and the emphasis on outputs, the Remote Air Services Subsidy Scheme, or RASS, has been reclassified under the regional services outcome. Perhaps I could make some comments on that. Regional services has a very strong focus on assisting regions to better manage their own futures. The outcome is significant in its emphasis of a genuine partnership with community for lasting change.

We have two broad output groups—Regional services and Local Government, Territories and Natural Disaster Relief. In the case of regional commitments through additional estimates and this budget, the government will contribute an extra \$100-plus million over four years to regional services. Under the Regional Partnerships Program the department will administer payments totalling some \$111 million in 2005-06, with more than \$27 million over three years for the six regional icon projects, \$10 million over four years for the Bank@Post project, which will extend electronic banking services to 200 rural communities, and \$15 million over three years on the new Rural Medical Infrastructure Fund.

Under the Sustainable Regions Program, the department will administer payments totalling some \$48 million. In 2005-06 there will be major funding under the Sustainable Regions Program for the Darling Matilda Way, \$21 million over four years, and for the Northern Rivers and North Coast of New South Wales sustainable regions \$12 million over four years. As well, we will continue to drive and undertake work to deliver tangible outcomes for the Indigenous communities in the East Kimberley COAG site administered through the department. The Regional and Rural Research and Development Grants Program, formerly two separate programs, will provide funding for regional work, as will our support for the Foundation for Rural and Regional Renewal.

I have spoken about that specific regional work; I would like to briefly emphasise the work that will deliver major funding for local governments, territories and also communities at risk of or recovering from natural disasters. Some \$1.6 billion in the form of financial assistance grants will be delivered to local councils. As well we will be undertaking work in support of

the 2,700 residents of the territories—Indian Ocean, Jervis Bay and Norfolk Island. In respect of natural disaster mitigation and relief, we expect to spend up to \$133 million in 2005-06, including a provision of some \$89 million for the natural disaster relief fund.

On a departmental note, our own finances have improved markedly from some previous periods. We have worked very hard to create a more sustainable financial position for the organisation and expect to record a modest surplus of \$17 million in 2004-05. That surplus reflects the fact that changes to our budget targets during 2004-05 required us to ramp up spending by some 40 per cent across the year. As well we exercised understandable restraint during the caretaker period and we have also provided for internally funded IT and accommodation improvements. With the passing of the impact of previous years, we are budgeting for a break-even departmental position in 2005-06.

In closing, I would like to thank the senators for the opportunity to outline the framework and the outcomes and outputs the department is intending to deliver upon. As we begin on the corporate area, I want to draw attention to the fact that I have with me my colleagues Deputy Secretary Peter Yuile, Deputy Secretary Mike Mrdak, and Jeremy Chandler, who is in charge of the corporate area. I will be delighted to respond to any of the senators' questions or have my colleagues do so. Thank you.

CHAIR—Thank you very much. I will invite Senator O'Brien to ask some deep and thoughtful questions.

Senator O'BRIEN—Thank you for that outline, Mr Taylor, but I want to go to the issue of the accountability of the department to the parliament. Last Wednesday the committee contacted the department to request the appearance of the Inspector of Transport Security, Mr Mick Palmer. We issued the invitation in the expectation that Mr Palmer would appear in his capacity as inspector—an office the department confirmed that he held at a briefing on 13 May. At this briefing we were presented with a document outlining the departmental structure with Mr Palmer's name appearing under the title 'Inspector of Transport Security'. In the 2004-05 budget, the office of the Inspector of Transport Security was funded to the tune of \$1.6 million over four years—not an inconsiderable some of public money. But when the department was contacted the committee secretariat were told Mr Palmer would not appear because he was too busy and we did not give enough notice. When the committee sought written confirmation that Mr Palmer was refusing to appear because he was busy, we received this letter, which told us that he had stood down from his position and that Mr Yuile would front up in his place. When did the inspector stand down?

Mr Taylor—I will ask Mr Yuile to give details, but let me make it quite clear that we see it as extremely important to meet the requests of the Senate on all occasions, as is appropriate. So I do not want to have in any shape or form an understanding that is other than that. I think the committee will be aware that Mr Palmer has in fact for some months now been seconded to another high-priority job of government. We have been in the process of putting in place the program of the Inspector of Transport Security, and we will receive funding to do so in the course of this budget. Mr Palmer certainly did meet briefly with the department this month, but he has been working continuously throughout that period on another important priority government task and has not been carrying out the role of Inspector of Transport Security. Hence that response. I will ask Mr Yuile to fill out some of the detail.

Mr Yuile—In answer to your question, he stood down on 8 February. He asked that we cease his retainer payment as the Inspector of Transport Security because he was undertaking another inquiry on behalf of the government.

Senator O'BRIEN—Who is doing the job now?

Mr Yuile—It is not filled as such. He is undertaking that other inquiry. In the meantime we are proceeding, as the secretary said, with the development of legislation to support the position of the inspector.

Senator O'BRIEN—Was he asked to stand down or was it his decision?

Mr Yuile—He requested that we cease his payments. Had he not asked, we would have obviously suggested that because he was undertaking another task on behalf of the government.

Senator O'BRIEN—Were these verbal requests or written requests?

Mr Yuile—I certainly spoke to him. If you are asking me if he put it in writing to the department, I would have to confirm that with our personnel services, but we took immediate action to cease paying his retainer salary.

Senator O'BRIEN—When was it publicly communicated that the Inspector of Transport Security had stood down?

Mr Yuile—I do not think that has been done.

Senator O'BRIEN—Why wasn't the committee informed at its briefing on 13 May that that had occurred?

Mr Yuile—I am sorry, I do not know the answer to that. Mr Chandler did that briefing. I did not know that your staff asked that question.

Senator O'BRIEN—We did not ask about him standing down because we did not know.

Mr Yuile—But I did not know that you asked about his availability at that time.

Mr Chandler—The briefing that you are referring to was the one to advise members of the committee. The chart that we provided at the time did still include Mr Palmer in that role. It was not a subject of discussion.

Senator O'BRIEN—But why would you? The chart says 'as at 17 March 2005'. We are just learning that this was not accurate and that he had stood down on a date in February 2005. Why would we raise it as an issue given that, as far as we were aware, he still filled the position?

Mr Chandler—I was not aware that it had been formalised as at that date, so I did not communicate it.

Senator O'BRIEN—You were not aware that he had formally stood down as of Friday, 13 May?

Mr Chandler—I was not aware that he had formally stood down.

Senator O'BRIEN—How widely was it known that he had stood down? You knew, Mr Yuile, and Mr Taylor knew. Obviously, Mr Palmer knew. Who else knew?

Mr Yuile—The inspector reports directly, as you can see, to the secretary. I think I should say that it is an oversight on our part in terms of the chart. We probably should have had a footnote to that effect. Mr Palmer's work, the work of the inspector, as the chart shows is direct to the secretary and I am involved in that work as well. It is not more broadly canvassed in the department in terms of the work of the inspector.

Senator O'BRIEN—Why wasn't the committee secretariat told that Mr Palmer had stood down when his attendance was first requested? Why was the committee secretariat told that Mr Palmer was too busy to appear?

Mr Yuile—I did not speak to the secretariat. I was not aware that they were told that. I thought that at the first request we indicated that he was unavailable. When the question was asked further we clarified clearly the question of his standing down.

Senator O'BRIEN—When we asked for something in writing?

Mr Yuile—I do not know whether you asked for it in writing.

Senator O'BRIEN—We did.

Mr Yuile—Okay. I am not trying to, and I was not trying to, hide that fact, if that is your suggestion. I think I was away when I was asked about it, but I just said he would be unavailable and I was happy to take the questions regarding the office if there were questions for—

Senator O'BRIEN—Were you aware that he had stood down?

Mr Yuile—I was aware that he had stood down because he spoke to me about it in February. I am not denying that.

Senator O'BRIEN—The answer that you are indicating you would have given, were you giving it personally, was that he was unavailable.

Mr Yuile—When I was first approached I indicated that he would be unavailable.

Senator O'BRIEN—Yes, not volunteering that he no longer held the position that the committee, as far as it was aware, thought he held on at least 17 March, if not later.

Mr Yuile—It was not a matter of volunteering or not volunteering. I was asked on the run and I said he would not be available. I did not spell it all out and, on reflection, perhaps I should have and I regret that. If you are suggesting I have tried to keep something from the committee, that certainly was not my intention.

Senator Ian Campbell—Mr Chairman, I think the fact is that everyone in the world who knows what Mr Palmer is doing knows that he is very busy doing another job for the government. That is the reality. You cannot have this series of questions taking place in a vacuum. That is the fact.

Senator O'BRIEN—There is no secret that there has been some statement about him conducting an inquiry. What has been secret is his role in this position, a position funded in the portfolio budget statements. My complaint is that there was no volunteering that he had stood down. To all intents and purposes, on 13 May he was doing both jobs, and naturally we would prepare for estimates on that basis.

Senator Ian Campbell—Do you have questions for the inspector?

Senator O'BRIEN—I do have questions for the inspector.

Senator Ian Campbell—I think we should get on with the questions. I think Mr Yuile has given an entirely reasonable explanation.

Senator O'BRIEN—I will ask those questions in the appropriate place. I am asking about the scrutiny of the department and the response to a request for an officer to appear, which obviously is important to raise in the presence of the secretary. Did Mary Meaney draft the letter that the committee received about Mr Palmer standing down or did someone else draft it?

Mr Yuile—I believe she drafted it and cleared with me.

Senator O'BRIEN—So it did not go to the secretary; it was cleared with you?

Mr Yuile—That is right.

Senator O'BRIEN—Was the minister in any way involved? Was the minister consulted about it?

Mr Yuile—About the response to the committee?

Senator O'BRIEN—Yes. Did he approve the letter?

Mr Yuile—I did not consult the minister on that.

Senator O'BRIEN—Or his staff?

Mr Yuile—No.

Senator O'BRIEN—So there was no consultation with the minister's office about that letter?

Mr Yuile—It was a letter about his availability for this committee and I needed to explain further his unavailability. I have already indicated I regret I did not make that clearer to begin with when we were asked orally about it. He had sought—and indicated he wished—to stand down and to no longer receive his salary whilst he was doing this other task. No, I did not see the need to consult the minister's office about that.

Senator O'BRIEN—Do you know when it was publicly announced that he held this position?

Mr Yuile—I do not think there has been a public announcement about the inspector's role. There has been communication with the states—with state ministers—and with relevant industry bodies. It has not been widely advertised. I think there has been a reason for that in not wanting to attract the kind of activity that you often get when a position like that is appointed to. You often get people who are then wanting to perhaps test it in a way that is not appropriate. It is another layer in the government's arrangements around strengthening the transport security apparatus. It does not preclude the kinds of inquiries which our own Office of Transport Security would ordinarily undertake anyway. It is another layer on top of that in the context of what might be regarded as major transport security incidents.

Senator O'BRIEN—Earlier this year Senator Bishop asked a question on notice about the appointment of the inspector—question No. 342—and the minister said Mr Palmer was

appointed on 23 November 2004. I note that the creation of the position was first announced by the minister on 4 December 2003. Was the position unfilled for almost 12 months or did someone else have the job before Mr Palmer?

Mr Yuile—There was nobody in that role prior to Mr Palmer. I think the decision of the government was to establish that position from 1 July 2004. It took some time as ministers considered an appropriate person for that job and then sought the services of Mr Palmer.

Senator Ian Campbell—Can I just correct the record. Senator O'Brien earlier said that the secretariat of the committee had been informed on finding out that Mr Palmer was not going to appear at the committee that he was too busy to do so. I have checked with the officer who spoke to the secretariat. That was not what was said. What was said was that she was not sure of the reason he could not attend and she would find out the reason, and then she rang back the secretariat and informed them of the reason.

Senator O'BRIEN—That is not what has been communicated to my office, Senator Campbell.

Senator Ian Campbell—I am just telling you what the office was told.

Senator O'BRIEN—That is not what has been communicated to my office contemporaneously with the conversation, apparently.

Mr Yuile—Was it the same officer who spoke to both?

Senator O'BRIEN—Obviously it is going through the committee secretariat. I am not going to volunteer evidence on that basis.

Senator Ian Campbell—The officer of the department who spoke to the secretariat said that she speculated about a couple of reasons as to why he may not be able to attend but she said, 'I will check and get back to you.' When she found out that Mr Palmer had stood aside she then informed the secretariat of that.

Senator O'BRIEN—There is quite a difference between what was reported to me contemporaneously with the events and what you say now—quite a difference.

Senator Ian Campbell—I decided to make some more investigations and I found out more information.

Senator O'BRIEN—I do not know that you are correcting the record. You are putting another—

Senator Ian Campbell—It is a bit like Ian Kiernan's chairmanship of Primary Energy—I decided to make a few more inquiries and I find out that what you said was not the truth.

Senator O'BRIEN—What I said was the truth, because it is what the records show, as a matter-of-fact—

Senator Ian Campbell—That is not the truth.

Senator O'BRIEN—If someone has concocted another version which is not borne out by records then that is a matter for investigation.

Senator Ian Campbell—Records sometimes need checking.

CHAIR—Anyhow, boys, it is a long camp, so pull together.

Senator O'BRIEN—It is a long statement. To suggest you are correcting the record with regard to this matter, Senator Campbell, is to say that you are putting a different view. The record contemporaneously with the events is more akin to what I said.

Senator Ian Campbell—It is the second time we have seen you in front of this committee putting something forward that is not the truth, so I am just going to be very cautious.

Senator O'BRIEN—You are very cavalier with statements such as that, with absolutely no basis.

Senator Ian Campbell—I have got the documentation on Primary Energy. I will table it at the right time. When we get to Primary Energy we will table it all. But I am not going to have the department's conversations misrepresented before a Senate committee.

Senator O'BRIEN—They are not being misrepresented.

Senator Ian Campbell—By you they were.

Senator O'BRIEN—No, they were not. They are not being misrepresented at all.

Senator Ian Campbell—The department did not say that to the secretariat.

Senator O'BRIEN—You are in a position to say that, are you, from direct knowledge?

CHAIR—Anyhow, boys, it is a long camp.

Senator O'BRIEN—It is. When Mr Anderson announced the creation of the Inspector of Transport Security position he said it was part of a major expansion of the nation's aviation security regime in response to the events of September 11 and that the aviation security package, including the inspector's position, would be progressively implemented during the first half of 2004. Then on 26 May, Mr Yuile, you said: 'We will have it in place on 1 July. That is the requirement and that is what we will do.' So there was a change in relation to the timetable from the time of the announcement on 4 December. You gave a description as to why the appointment was delayed until November 2004. I take it there was not a suitable person available until that time. Is that how I should understand your explanation?

Mr Yuile—Back in May we were working on a range of propositions and people who might be able to undertake that role for the government. Certainly we would have made recommendations to the minister. There would then have been a question of consideration of those names. As you would be aware, I was away for some months from June last year. I know that the discussions with the minister were progressed on who would be a suitable candidate to undertake that role. My understanding is that a month or so after 1 July there was further discussion with the minister about the right person and then the people who were on that list were considered further by the minister and approached. It certainly was the minister's preference to have Mr Palmer undertake that role, and he subsequently agreed to it.

Senator O'BRIEN—When was the minister in possession of the list of suggestions from the department?

Mr Yuile—I think there were a number of lists and a number of different people who were canvassed with the minister, but I would need to check the exact dates of when those names were put forward.

Senator O'BRIEN—Would it have started before 1 July?

Mr Yuile—I think there certainly was discussion with him before 1 July, and there were subsequent discussions while I was away.

Senator O'BRIEN—For the 12-month period preceding Mr Palmer's appointment Australia was fighting a war in Iraq that senior members of the government claimed was part of the so-called 'war on terror', and then the arrest of Schapelle Corby in October raised concerns about the integrity of our baggage-handling system. It is an important position, isn't it?

Mr Yuile—As I said earlier, it is certainly one of the elements that the government was putting into place as part of its aviation transport security package. As you said, there was a great range of elements to that package. As I also said, there were and are arrangements in place now, should there be security incidents, whereby the Office of Transport Security itself can undertake those inquiries—as indeed in the past, prior to the creation of the Office of Transport Security, when there have been security incidents the department has undertaken investigations. So it is not as if there is not that capacity. This was an additional capacity that the government was putting in place and it wanted to ensure that it had a person of the right stature, capacities and experience, and Mr Palmer fitted that category.

Senator O'BRIEN—In the answer to question on notice No. 342 Mr Anderson said: The Government approached Mr Palmer to undertake the role of Inspector of Transport Security. When did the government approach Mr Palmer and who approached him?

Mr Yuile—It was prior to his appointment in November. I would need to check the exact date, but I know that he had had a number of different approaches. In fact when I spoke to him about it he informed me that he was considering a range of tasks and that this was one of them. He took a little time to reflect on those different tasks and then responded to us that he would agree to take up this particular appointment. My recollection is that there were international appointments being canvassed with him—a range of other possible tasks that he could undertake—and he was weighing up this one, weighing up where he could make the best contribution and, no doubt, also weighing up personal considerations.

Senator O'BRIEN—Did the government approach anyone other than Mr Palmer?

Mr Yuile—Other candidates were asked whether they were interested in my recollection, but Mr Palmer was the preferred candidate and we waited on his answer.

Senator O'BRIEN—Did he take up the appointment immediately it was announced on 23 November?

Mr Yuile—Yes, and he certainly took it up directly and with enthusiasm. He started a program of visits to state and industry executives and to facilities to inform himself of the latest developments in transport security. Again I would need to check the details, but he started pretty quickly on that process.

Senator O'BRIEN—Can you tell me how many days a week Mr Palmer devoted to his task as Inspector of Transport Security between his appointment on 23 November and 8 February, the date he was appointed to conduct the Rau inquiry?

Mr Yuile—I do not have that exact number with me, Senator, but I can get it for you. For example, I know that when he was travelling on personal business—indeed, a holiday is one

period I remember—he was happy to take time out, because he was in the vicinity, to visit a particular state capital or a particular facility. So in some cases he worked for us for part days. He is scrupulous in maintaining records about when he works for the department and what time he puts in. I will find that answer for you.

Senator O'BRIEN—So he is in the position for 77 or 80 days? From my rough calculation, 23 November to 8 February is 77 days.

Mr Yuile—Yes, that is right if your maths is correct—I am sure it is.

Senator O'BRIEN—I accept that I may be wrong. That is my quick calculation—it is probably close.

Mr Yuile—From history, that would probably be right.

Senator O'BRIEN—Since he stood down, no-one has been appoint to fill the position?

Mr Yuile—That is correct.

Senator O'BRIEN—Is such an appointment imminent?

Mr Yuile—Not at this stage. If his current inquiries were to continue, that would be an issue he would need to canvass with the minister.

Senator O'BRIEN—Are you indicating that the minister has no concerns at this stage about the fact that since 1 July last year until now the position has been filled for something less than three months?

Senator Ian Campbell—I do not think the officer needs to say what is in the minister's mind.

Mr Yuile—I cannot tell you that. I have told you that the minister saw this as an important position, that he considered it carefully and was obviously keen to seek the right person to do the job. As I have said, it is not the only way in which inquiries can take place if there are transport security incidents. It is certainly an extra layer to our current arrangements. I do not know what is in the minister's mind, so I would not want to speculate.

Senator O'BRIEN—How much of the \$400,000 allocated to this office will not be spent this financial year as a result of the position being filled for only a small part of the year?

Mr Yuile—I will have to take that on notice and check how much has been expended. There are a couple of other staff members in that small office who are working on issues related to transport security and transport security inquiries. I would need to check what has been spent mainly on salaries. I do not think there would be any supplier expenses.

Senator O'BRIEN—How long have they been there—since he started or before he started?

Mr Yuile—Shortly after he started we took people on board. Obviously he wanted to be part of that selection and that is only reasonable, and he was.

Senator O'BRIEN—The staff continue in his absence.

Mr Yuile—They continue to be working, yes, on issues related to the office. In one case, one officer has also been involved with him in his current inquiries.

Senator O'BRIEN—Does that mean that officer is now being paid by another department?

Mr Yuile—Some of his time has also been spent undertaking work of the inspector's officer as well. For example, he has been working with us as we have developed the legislation for the office of the Inspector of Transport Security.

Senator O'BRIEN—Does that mean the answer to my question is no?

Mr Yuile—The answer to your question is that part of his time has been spent with us and part of his time has been spent on the inquiry.

Senator O'BRIEN—My question was: who is paying?

Mr Yuile—It is on a cost-recovery basis, Senator.

Senator O'BRIEN—So you are paying them, but you will recover the costs from Immigration.

Mr Yuile—Yes.

Senator O'BRIEN—Is this a Canberra based position?

Mr Yuile—Yes.

Senator O'BRIEN—How many staff did Mr Palmer's office contain?

Mr Yuile—There are two other staff members with him.

Senator O'BRIEN—Are they both full-time?

Mr Yuile—Yes. As you know, Mr Palmer is involved on a retainer basis per diem as we ask him to undertake work, or as the minister asks him to undertake work.

Senator O'BRIEN—So it would be easy to ascertain how many days he has claimed?

Mr Yuile—Yes.

Senator O'BRIEN—Was Mr Palmer's work program at his discretion or did it have to be negotiated with the minister?

Mr Yuile—It was certainly discussed with the minister and it was also discussed with the secretary.

Senator O'BRIEN—How did that work? Mr Taylor has slipped away. Perhaps you can answer. How did that work with Mr Taylor being consulted? How was he consulted? Was it just a telephone call?

Mr Yuile—No. Obviously it was in a range of ways. The secretary has sought and has had regular meetings with Mr Palmer. After the secretary was appointed, he clearly took an interest in the work of Mr Palmer. From memory, they agreed to meet monthly, if they could, in order to touch base as to what work Mr Palmer was undertaking and any issues that he wanted to raise. The secretary also delegated to me a more day-to-day level of contact with Mr Palmer. That is the way it has worked. Mr Palmer discussed the approach he would take, which was to get out and meet key players from both state and territory agencies, as well as industry executives, and also to inspect different facilities to gain an understanding of the new measures that had been taken and how the systems worked. He was undertaking that

preliminary work. The idea then was, as you know, that he would undertake specific inquiries at the request of the minister, and that remains the intention.

There was also some discussion about whether Mr Palmer could assist as the Office of Transport Security thinks about undertaking exercises to test the system as part of our normal work of performance evaluation, if you like, because we are putting into place, as you well know, arrangements which are new to a whole range of players, particularly in the maritime industry. The aviation industry, I guess, is more experienced and mature in this area. He was certainly open to be of assistance to us in that way as well when we develop that work in the next financial year.

Senator O'BRIEN—Apart from the general backdrop of the events in Iraq and the heightened international security environment, would he be looking at serious flaws in baggage handling systems at major Australian airports in connection with the Corby case and the camel suit incident at Sydney airport? Mr Dixon of Qantas has confirmed that the company handles about 35 complaints a month alleging that checked baggage has been the subject of tampering. There has been a major prosecution concerning alleged cocaine smuggling by baggage handlers and the union representing baggage handlers has been saying that the government has ignored concerns about flawed credentialing of airport workers and screening of baggage and freight for the last four years. Are those the matters that he would be looking at?

Mr Yuile—I think that many of the issues that you have just referred to are criminal issues and some of them, as you know, are subject to criminal investigation. The issues that Mr Palmer would be linked to, interested in and involved in would be those relating to incidents of transport security and unlawful interference with aircraft. That would be the focus of his work. I do not want to presume what the minister may wish to ask him and what duties he might wish him to undertake. That would be presumptuous on my part.

Senator O'BRIEN—So he would not be concerned with the ability to place material in checked luggage or remove material from checked luggage?

Mr Yuile—I did not say that. I just said that I do not want to presume what the minister may wish him to undertake and that we need to be clear and careful about the work that he would undertake as opposed to what may be undertaken by way of criminal investigation. He is not appointed as a criminal investigator, as you know.

Senator O'BRIEN—He was appointed to investigate—

Mr Yuile—Major transport security issues.

Senator O'BRIEN—systemic transport security weaknesses.

Mr Yuile—Yes, that is right.

Senator O'BRIEN—I think they are the words from the press release.

Mr Yuile—Yes.

Senator O'BRIEN—If someone can access a secure area of an airport to put drugs into a checked bag or to take them out, then they can influence what is put on board a plane. That seems to be a fundamental aviation security issue. Doesn't it seem that to you, Mr Yuile?

Mr Yuile—I think there are a whole range of issues around the question of baggage handling and the work of our Office of Transport Security and the operation of our legislation. As I said to you, the question of whether these are incidents appropriately investigated by someone like the Inspector of Transport Security or whether they are better and more appropriately investigated by the police or Customs—other authorities which have responsibilities—are questions I think which the minister would need to consider.

Senator O'BRIEN—Yes, but would the investigation of systemic transport security weaknesses not involve investigating the integrity of baggage-handling systems at Australia's airports—not about an individual incident as such? The integrity of baggage handling systems seems to me to be fundamental to the security of the aircraft onto which luggage and cargo is loaded and from which it is unloaded.

Mr Yuile—I am not suggesting it could not be something that was appropriate for investigation or inquiry. I am just suggesting that I do not want to prejudge the considerations of the minister.

Senator O'BRIEN—With regard to the allocation of \$1.6 million over four years in last year's budget, there was no variation in the additional estimates statement. Do I take it that the budget for this year, for next year and the following years remains at \$400,000?

Mr Yuile—That is correct.

Senator O'BRIEN—Can you give us a breakdown of how much has actually been expended in the current financial year, to date if possible? We certainly want the information about the amount expended on Mr Palmer's salary and travel and other entitlements. We would like that broken down by category, please.

Mr Yuile—Do you mean between his salary and travel?

Senator O'BRIEN—Yes. I am not sure if there are any other components that are critical.

Mr Yuile—There would be a contribution for superannuation, for example. Are you looking for his gross salary?

Senator O'BRIEN—I would have taken that to be rolled into the salary package component. We would also like the expenditure on travel, accommodation and the like. Are the premises that he is occupying rented?

Mr Yuile—No. To be clear—and that is why the organisation chart is as it is, although I acknowledge we should have had a footnote about the question of standing aside—it has been important that we maintain a separation between the work of the Inspector of Transport Security and the work of the Office of Transport Security. Mr Palmer occupies offices in fact in the same area as the Australian Transport Safety Bureau. They are separated physically from the rest of the department. So we do not rent separate space as such for him and his office.

Senator O'BRIEN—Is Mr Taylor coming back?

Senator Ian Campbell—Yes.

Senator O'BRIEN—When can we expect Mr Taylor back? I have some questions that I want to ask him.

Senator Ian Campbell—About an hour.

Mr Yuile—I know that he had another meeting at 10 or thereabouts, which was going to be fine when we were starting at nine.

CHAIR—Mr Taylor advised the committee that he would be an hour or more.

Senator Ian Campbell—Mr Yuile is able to take any questions you have for Mr Taylor.

Senator O'BRIEN—There are some questions which I think only Mr Taylor can answer. I see that Mr Fisher's strategic projects position has been maintained in the departmental restructure. Looking at the organisational chart, I cannot work out whom he reports to. Can you enlighten me?

Mr Yuile—Yes. He reports to Mr Mrdak and me as the deputies, but he is working on issues across the department that may involve other areas as well. If you are asking for a direct reporting line, he is reporting to Mr Mrdak and me.

Senator O'BRIEN—Is the strategic adviser position still remunerated at band 2?

Mr Yuile—He has retained his band 2 status and is undertaking duties directed by the secretary in the Strategic Projects Group. He is an executive director. He is a band 2 officer.

Senator O'BRIEN—It is pretty clear what functions other senior officers in this department perform. We cannot really find out what Mr Fisher does in real terms beyond his visiting insolvency experts on behalf of the department.

Mr Yuile—I will not comment on that.

Senator O'BRIEN—What does he actually do in the new departmental structure?

Mr Yuile—He is undertaking projects—and Mr Mrdak may wish to comment as well—which tend to be what I call 'cross-cutting policy issues', issues that relate to a range of areas in the department. He has real expertise in that area. He has been working, for example, on some of the national competition policy issues. They have a broad application across the department. There is interest in that in a range of the transport areas as well as our regional area. He has been working, for example, on water and vegetation issues because they are cross-cutting issues in the department. Obviously he provides advice to the secretary and to the minister on those sorts of issues. That is the kind of thing he has been doing. It is a role that exists in lots of departments where you have a policy coordination type area. We have called it Strategic Projects and Policy. I guess we could have called it 'policy coordination', but it is more targeted than that.

Senator O'BRIEN—His position appears to cut in above, for example, Mr Chandler's. Is that a correct representation on the organisational structure? I am just looking at the organisational chart. His position runs into the line above that from which all of those sections devolve—if I can put it that way. Does that mean he sits in between those groups and the deputy secretaries?

Mr Chandler—No, it does not. Simply, each of the other columns reflects that an executive director has responsibility for all matters coming within that column. For Corporate Services, I have responsibility for all business lines below that. In the case of Mr Fisher and the right-hand column, the different presentation was simply an attempt to show that Mr

Fisher is responsible for strategic projects, but he does not have responsibility, for example, for the Bureau of Transport and Regional Economics. In other words, he does not have responsibility for all of that column.

CHAIR—While you consider this Knowledge Nation chart, we will break for morning tea.

Proceedings suspended from 10.30 am to 10.45 am

Senator O'BRIEN—What was the quantum of funding collected under the Ansett ticket levy and what surplus levy funds, if any, have been expended on the aviation sector—and can you break that down by year?

Mr Mrdak—I do not have that readily available to me here. Can I take that on notice and come back to you? I will aim to do that before the close of business today.

Senator O'BRIEN—It would be very good if you could do that. Will individual areas of the department be able to talk about any moneys that have been used in their areas as we go through the program today?

Mr Mrdak—Yes, Senator.

Senator O'BRIEN—They will know that they have had money from the Ansett ticket levy and they will be able to identify how much and where it has been used?

Mr Mrdak—Principally, where it has been applied for aviation matters it would be the Office of Transport Security.

Senator O'BRIEN—Any others?

Mr Mrdak—Not to my knowledge. I think that would be the only area to which funds had been applied. The aviation area will be able to provide details in relation to the collection of the levy amounts. That was formally handled in our transport programs area but under our restructure the bulk of that has gone to our aviation airports area. But questions in relation to expenditure of moneys would be with the Office of Transport Security.

Senator O'BRIEN—I have some questions for Mr Taylor when he returns.

Mr Yuile—I have contacted him and he will be here in about half an hour.

Senator MARK BISHOP—I welcome the officers of the department. Senator O'Brien was handing around the little coloured glossy document showing the new departmental structure. If you go back to the previous PBS in 2004-05 you will see a different departmental structure. Mr Mrdak, what is the rationale for the restructure of the department?

Mr Mrdak—It has come about for a number of reasons. Firstly, we had a close look, post the election, at what the government's priorities are for this coming term of government. Secondly, the new secretary, Mr Taylor, as part of his coming to the department, wanted to look afresh at the structure, as would any secretary coming new to a portfolio, to see whether the structure aligned with the government's priorities. And, thirdly, it came out of the staff survey that was conducted by the department last year of all of its staff to look at critical issues for the department going forward. One of the clear issues emerging from that staff survey was comments by our people about clarity and lines of responsibility in terms of the department's outcomes.

All of those factors were brought together by the secretary at a planning day that was undertaken towards the end of last year with all the senior executives of the department. Following further consultation that the secretary undertook he then moved to change our departmental structure to better align with outcomes and business structures which were, in our view, clearer to our customers, industry and the community and also for greater clarity for our own people in relation to the outcomes that we wished to deliver. So it was a combination of all those factors and, overall, a review of whether we had the right structure for the type of business we had to deliver for the coming term of government.

Senator MARK BISHOP—Do you have any costings attributable to the restructure?

Mr Mrdak—No, Senator.

Mr Yuile—What sort of costing do you mean, Senator?

Senator MARK BISHOP—The cost of doing the review, the survey, the internal seminar to discuss change, feedback, then implementation, the realignment of responsibilities—all of that. What has it cost the department to engage in that exercise from beginning to end?

Mr Mrdak—I do not know whether we have done any costing per se. Most of that has been met as part of our ongoing business. We did engage some expert consulting advice—the Nous Group, a group of advisers—to assist us with the initial senior executive planning day and also ongoing work in relation to the restructure and the development of our business plans for the coming year. That group of advisers has been retained by us to assist. I can get details of those costs for you.

Senator MARK BISHOP—Can you take on notice when the decision was made to retain the Nous consulting group, whether it was done by public tender or by appointment, an overview of the work they were involved in, costings submitted, bills paid, outstanding moneys yet to be paid and details of any ongoing role that that particular group might have over the next 12 months, or similar groups doing the same type of work, if they should be replaced, in lieu of Nous consulting.

Mr Mrdak—Certainly, Senator. I will get that detail for you.

Senator MARK BISHOP—Could you also take on notice whether you can add any detail to expenses involved in the restructuring, broken up on consultancies, departmental hours, planning, seminars and the like.

Mr Yuile—I understand what you are getting at and we will do our best because there are things like the staff survey which is a discrete activity we undertake every couple of years, so that is easier enough to deliver, similarly, for the work of the Nous Group in working with our business areas. Some of that discussion—I am thinking ahead—and preparation for change would take place in the course of ordinary divisional and branch meetings. It is not as though we can undertake a special activity.

Senator MARK BISHOP—Mr Yuile, where you can provide exact figures and give an indicative answer or a generalised comment, with a caveat that normally this work might be allocated elsewhere, do so. I just want to get a picture of what you did, who was involved, what it cost and what the future will involve—if any.

Mr Yuile—I understand.

Senator MARK BISHOP—I understand there is a bit of reinvention of the wheel here in that the new structure is basically similar to the previous structure of some two or three years ago. So we have had an interregnum of two or three years and the previous structure has now been replaced. Was there any utility at all in the previous structure, the now replaced structure?

Mr Mrdak—I certainly believe there was. The move away from the modal structure which had traditionally been in place, certainly on the transport side, into a group structure which looked at policy and regulation brought a number of benefits for us. In my former role as the head of the policy area, I certainly think there was a great deal of benefit in bringing together some of the policy areas, particularly where we were looking to drive fundamental change to how we did things. AusLink was one where we brought together a lot of areas previously thought about in modal terms—say, road or rail. We brought together policy thinking on those areas to drive fundamental change in our thinking on how we would operate those areas. Certainly in regulatory areas we were able to get a greater focus on regulatory outcomes which were quite important. The Office of Transport Security has been one of those, but there is also airport regulation and other matters. The move to the group structure was quite important, given some of the changes we were trying to drive in some key industry sectors. Having said that, the view now is, given the program going forward, that it is important to get some clarity in lines of responsibility, which is why we have not quite returned to past structure but we have returned to a somewhat more traditional transport structure that the transport department had in the past.

Senator MARK BISHOP—Did the staff at fairly senior levels have trouble in coming to grips with that new horizontal structure you had in place as opposed to the old vertical structure? You said that there were gains to the department in terms of policy when you wanted to force change and there were gains in regulatory outcomes. I can understand both of those things when you have a horizontal perspective across the department.

Mr Yuile—I think the same applies with programs.

Senator MARK BISHOP—Yes. But did the more senior staff have difficulty implementing that broader cross-department structure?

Mr Mrdak—I do not know if there was difficulty. I think there were certainly issues being raised about where we had a number of areas covering a topic or an issue. For instance, if we look at how we were handling rail issues, we had some rail issues being handled in the policy group, some in regulatory and some in program. Certainly the industry were saying it would be easier for them to have a single point of contact on some of these issues rather than having to delineate whether the issue was a policy one or a regulatory one. So I do not know if staff had difficulty, but I think it certainly added to the need to be conscious much more of what type of issue we were dealing with and where it best sat in the organisation. What we have clearly delineated here in our new structure is quite a clear line of responsibility for, say, rail or shipping or regional services. It was not such a problem with the former structure in terms of how it operated, but it did require some more coordination than this new structure does, where we clearly have a person responsible for an issue.

Senator MARK BISHOP—So having now got an identifiable person or persons in charge of a particular program or output in a range of areas that resolves the issue of clarity, I take it.

Mr Mrdak—That is right. It makes it quite clear to industry, and also to our people, who has responsibility for a particular area of our work.

Mr Yuile—I agree with everything Mr Mrdak has said. The other issue that we will build into the current arrangements is that we do not lose the conscious consultation processes that were occurring in the group structure. As Mr Mrdak has said, whilst a range of areas are sometimes involved—whether on a rail issue or, indeed, on AusLink, where there were different people involved on the program side and on the policy side—it is clear that we do need to make sure, in building this clearer line of sight between an outcome or output and the lines of responsibility, that we do not lose the cross-departmental conversation.

Senator MARK BISHOP—The structure that you have just replaced: you went to that some two or three years ago for a reason or a series of reasons, didn't you? What were the reasons then, do you recall?

Mr Yuile—There were a few reasons, and Mr Mrdak has already alluded to those. We saw the need to put together larger units for building greater flexibility in the organisation. We also wanted to ensure that we had a focus on, for example, good practice in our program management. Program management was an important issue, not just in our regional areas but also in the transport side. I think as a department we often regarded ourselves as a policy department, but in fact a large part of that policy was regulation. Putting together a regulatory group covering our motor vehicle side, our aviation and airports side and the security side brought a greater consciousness of that element of our policy work. They were some of the reasons we put those together. Like all these things, you can slice the cake a few ways, as you know—you can do it generically or you can do it by mode or by subject matter. This was an endeavour to build that closer linkage across our generic areas of activity—policy, regulation and program.

Senator MARK BISHOP—Your department in the last number of years has had an enormous amount of complex legislation to go through, particularly focusing on security at ports and airports. There have been a lot of linkages in liaison with a range of other departments. Now that you are shifting back to the old structure, is a lot of that security work that you have been heavily involved in concluded, for the best part, and it is a matter of noting whether the implementation is successful? Is that a fair comment for me to make?

Mr Yuile—I wish it were. I think the question of security is an ongoing iterative process. You are quite right that we have put in place the Maritime Transport Security Act, and from 10 March the Aviation Security Act and its framework. As you would be aware, the government has decided to include the oil and gas platforms within that, so there is some amendment to be made to legislation. There is certainly both an implementation process that needs to continue and ongoing policy thinking and development, which will take place as it did in the past. What we have done is set up a culture of coordination and consultation because, as you have said, there are a range of other agencies involved across government, and that will continue.

Senator MARK BISHOP—The reason I asked that particular question, Mr Yuile, is that one of the reasons you gave for the shift two or three years ago was that a lot of policy work you were doing was indeed regulatory work, and that is manifest in those two particular acts you have had to devise and put in place. They being in place and the government having asked you to do the oil and gas offshore, for which I think it is fair to say models do exist so there will not have to be a lot of original thinking—there will be some but it will not be totally originally thinking for that—does that mean that a lot of that port work, that airport work and that security work are now matters for implementation and observation as opposed to a need for ongoing detailed thinking?

Mr Yuile—There is certainly work to be done, and colleagues from OTS can obviously discuss this with you further when they are on. There is certainly a major work of implementation and bedding down, you are quite right about that, and of building an understanding with our various industry sectors about what the new legislation and regulation involve, and indeed the culture changes occurring in those industries with respect to security. As for saying that there is no more thinking work to be done, I would not want to say that.

Senator MARK BISHOP—I meant of the scale that the department has been engaged in for at least the last three years. It has been fairly significant work that you have been doing, which has manifested itself in major pieces of legislation.

Mr Yuile—It has indeed, and it is certainly true to say that the monitoring, compliance and evaluation work will become more important as those new pieces of legislation and regulation bed down. At the same time, we continue to work with state colleagues on land transport issues, for example—that is thinking work, if you like; it is critical infrastructure work. So I would not want to characterise it in quite that way. But you are certainly correct that the implementation and the bedding down, the evaluation and the compliance work and the auditing of the arrangements will be key elements of our work going forward.

Senator MARK BISHOP—I would like to turn now to your appropriations to finish off last year's appropriations. Will the department finish financial year ending 30 June 2005 on track and broadly within its parameters, or will it be significantly overspent or underspent? Will you take me to the PBS and tell me where I can see the answer.

Mr Ash—If you go to page 64 of the PBS and look down the bottom, you will see that we anticipate at this point in time a surplus of around \$17 million.

Senator MARK BISHOP—Why is that?

Mr Ash—I think that was explained earlier this morning by the secretary. It is due to a range of issues. One of them is that we are making provision for some future capital works, largely around either IT or leasehold improvement. That information was available at additional estimates. Also, it is the impact of the caretaker period when there was some slowdown in activity across the department, as is normally the case. Thirdly, it is a reflection of the very substantial increase in the size of the organisation from 12 months ago to now. There has been about a 40 per cent increase from last year's spend to this year's budget. Putting that through into an election year, when there is automatically a bit of a slowdown, it is just not quite being able to get to that stretched target.

Senator MARK BISHOP—Are you saying you have not been able to spend it all?

Mr Ash—In a nutshell, yes.

Senator MARK BISHOP—Does that \$17 million carry forward or do you flick that back to the government?

Mr Ash—At this stage that in effect carries forward through the balance sheet in the sense that there is an increase in the appropriation receivables. If the department is to draw on that and then spend it into the profit and loss statement—that is, its operating expenses—that would result in a loss.

Senator MARK BISHOP—A loss?

Mr Ash—A loss in the sense that because you are drawing from the balance sheet you have not got any revenue to match the expenses; therefore your expenses will be greater than your revenue and then you will have to seek approval from the minister for finance.

Senator MARK BISHOP—Let me ask the question in a different way, Mr Ash. If you seek to spend that \$17.2 million in the forthcoming financial year and if it is to be spent on normal expenses, does that mean your appropriations for the 2005-06 year will be short by \$17 million?

Mr Ash—It would mean that the appropriations would not change but that the expenses would go up. The appropriations are coming from the bills that are currently in front of the parliament—that does not change—but because these are receivables—because they do not lapse—on the departmental side, there is an ability, provided you have approval from the minister for finance, to actually budget for and expend that money.

Senator MARK BISHOP—So the forward estimate for the 2006-07 year is up from \$202 million to \$206 million—is that correct? I am referring to the figures at the top of page 64.

Mr Ash—Effectively the appropriations from government are going from \$197 million to \$202.9 million. Is that what you are looking at?

Senator MARK BISHOP—No, I was looking at the third line.

Mr Ash—Were you looking at the \$202 million?

Senator MARK BISHOP—Yes.

Mr Ash—That is a combination of appropriations from government as well as revenue from independent sources.

Senator MARK BISHOP—So your revenue from independent sources is going to go down from \$5 million to \$3.2 million.

Mr Ash—Around \$3.9 million. The 2005-06 budget figures are in the bolded second column. The third column is for year 1.

Senator MARK BISHOP—I see. So it is going to go from \$5.03 million to \$3.8 million. Yes, I am with you now. There is a variance of 23 per cent. I now wish to turn to table 2.2 on page 15 of the PBS. It refers to an expense measure for the Australia-United States free trade agreement of \$500,000 in this forthcoming financial year and then \$300,000 in each of the out years. What is that for? What does that pay for? I ask that because it is not explained or detailed in the departmental expense measures in Budget Paper No. 2.

Mr Ash—It is a cross-portfolio measure that is shown on page 117 of Budget Paper No. 2. It relates to the costs associated with changed procurement arrangements. With the change in the Commonwealth procurement guidelines as a consequence of the signing of that particular treaty, there are some additional costs being borne across Commonwealth agencies. There is a cross-portfolio measure whereby agencies get a small amount of supplementation to meet those additional costs.

Senator MARK BISHOP—What is the total cost of having to comply with the new purchasing regulations? Do you know that?

Mr Ash—Based on the information contained in page 117 of Budget Paper No. 2, it is \$27.7 million of expenses and \$3½ million in capital expenditure for the year 2005-06.

Senator MARK BISHOP—For all agencies?

Mr Ash—For all agencies across the Commonwealth. In 2006-07 it is \$26.5 million in expenses and a million in capital, and averaging around \$26¼ million to \$26½ million in the following two years.

Senator MARK BISHOP—In Transport, you were going to get half a million to \$300,000 in the out years. What is that particularly for in your department?

Mr Ash—For the first year of operation it is building up resourcing of a procurement area. There have been some very significant changes to the procurement guidelines, so it is building a degree of expertise in the new guidelines.

Senator MARK BISHOP—Which particular procurement guidelines?

Mr Ash—The Commonwealth procurement guidelines themselves that operate across the Commonwealth. They have changed quite significantly. There are new processes, and it is to deal with the additional costs associated with that. Probably the single largest component would be to deal with the costs of making sure the contracts and processes are appropriate.

Senator MARK BISHOP—So 500,000, say, for the 2005-06 year out of—you said \$25 million or \$27 million in the budget papers—is very small change: one per cent or thereabouts. Why is there a need for the department to have a resource base when your involvement will be, I presume, so minimal?

Mr Ash—It relates to where we as an organisation are procuring goods and services that go through that particular process. There are the tendering processes, the evaluation of those tenders and writing up the contracts and making sure that they are all consistent with the new guidelines.

Senator MARK BISHOP—And the government thinks you need \$500,000 in the forthcoming financial year?

Mr Ash—In year one, and about \$300,000 in each of the following years.

Senator MARK BISHOP—Is there any method to that \$500,000? Is the basis of your request to government the same as other departments or is there a formula set across government agencies?

Mr Ash—It was based on a process of costing with the Department of Finance and Administration where they used, by and large, a similar set of matrix across every agency in

the Commonwealth, looking at the number of tenders you undertake in a year and recognising that there are both some additional costs and some expected savings. So it is netting all that through.

Senator MARK BISHOP—So there is a general formula determined by DOFA and applied across government departments and agencies to determine the level of supplementation that individual departments would require?

Mr Ash—Yes.

Senator MARK BISHOP—Turning to page 28 of the PBS, table 3.1.1, halfway down there is a heading ‘Departmental appropriations’ and then the various outputs are set out. The estimated actual for 2004-05 is \$133 million, going up to \$140 million for 2005-06. I understand that includes a proportion of Corporate group overhead. Can you confirm that, Mr Ash?

Mr Ash—That is correct.

Senator MARK BISHOP—What rate is that set at?

Mr Ash—It is slightly variable from output to output, depending on whether you can specifically relate a corporate overhead back to that particular output, and then the rest is based on a relationship to the ASL or the staffing levels. For example, rent is distributed based on the staffing levels expected in each output. I think we explained that on the previous page. If you look at page 27, you will see that corporate overhead has been allocated based on an average staffing level unless we can specifically identify where a direct cost can be attributed straight through. It is the last sentence. I should also clarify that the corporate overhead includes costs associated with the BTRE.

Senator MARK BISHOP—Thank you for that. I will come back to the BTRE. Is the general proposition that corporate overhead is allocated to staffing numbers in each of the outputs listed there?

Mr Ash—Correct.

Senator MARK BISHOP—Would that account for 85 per cent, 95 per cent?

Mr Ash—I would have thought the corporate overheads were probably closer to 30 per cent.

Mr Yuile—Are you asking what Corporate gets?

Senator MARK BISHOP—You initially said that corporate overheads had two aspects. You said the first aspect was a bit different between each of the outputs. Then you said that corporate overheads were essentially related to staff numbers.

Mr Ash—It is distributed on staffing numbers. For the entire organisation the direct cost of divisions is in the order of \$130 million and corporate overheads would be in the order of \$65 million to \$70 million. So, effectively, the corporate overheads, which include items like BTRE, rent and those sorts of costs, are around one-third.

Senator MARK BISHOP—Let me ask the question this way: is that one-third within that ballpark in each of the outputs or do some of them go up to 60 per cent and some down to 10 per cent?

Mr Ash—No. It would be plus or minus a couple of per cent for each of them.

Senator MARK BISHOP—Around 30 per cent for each of the outputs?

Mr Ash—Yes.

Senator MARK BISHOP—Corporate overheads pays for BTRE and rent. What else does it pay for?

Mr Ash—The organisational structure covers the entire Corporate Services Division as well as Portfolio Strategic Policy and Projects.

Senator MARK BISHOP—Which section are we looking at?

Mr Ash—We are looking at the organisational chart, at the bottom of page 12—Corporate Services and Portfolio Strategic Policy and Projects. Obviously, it also includes the executive itself, which is the secretary, governance and the two deputies.

Senator MARK BISHOP—Are Corporate Services and Portfolio Strategic Policy and Projects the entire senior executive of the department?

Mr Ash—In what sense?

Senator MARK BISHOP—Are they the senior personnel? Is that the executive group? Are those two boxes down the bottom of the page the executive group that run the show?

Mr Ash—No.

Mr Chandler—Corporate Services relates to corporate functions such as finance, legal services, communications et cetera. The costs of the executive of the department—Mr Taylor, Mr Yuile and Mr Mrdak—are attributed across the organisation but separate to Corporate.

Mr Yuile—I think you asked about the executive management. There is an executive management team in the department, which comprises the secretary, the deputy secretaries and the executive directors of each of our business divisions.

Senator MARK BISHOP—So that is 12?

Mr Yuile—I think it is 13, including the secretary.

Senator MARK BISHOP—Is the department acquiring or disposing of any assets in the coming financial year?

Mr Ash—Some work is being done on the leasehold improvements on our head office in Canberra, following the settling down of the organisation. That will entail acquiring some fit-out for the department, and there will be some IT associated with that.

Senator MARK BISHOP—What is the ballpark figure for that?

Mr Chandler—We are still working through the costs of any refurbishment of our premises. Decisions need to be made on that and a submission needs to be made to the secretary yet. We do not at this stage have a firm figure. We have a number of IT capital projects also in train and the expenditures next year will depend on how much is carried over from one year to the other. I could not give you a firm figure at this stage on the capital expenditure next year. To be clear, your original question was in terms of acquiring assets.

There would be no significant purchase of assets; they are refurbishment of existing premises and in-house expenditure on new IT applications.

Senator MARK BISHOP—To go back to the discussion I initiated at the beginning, would the refurbishment of premises and associated IT purchase and implementation charges be properly attributed to the restructuring costs or not?

Mr Chandler—No, the applications' development cost would be for the development of business systems as such. One of the drivers associated with the refurbishment of accommodation would be the new organisational structure. But a refurbishment was already planned prior to the new organisational structure driven by the time the department has been in its existing premises and by the increase in the size of the department associated particularly with the increase in the transport security function that has resulted in a significant increase in staff. It is about how we accommodate those staff within the building. Those are the primary drivers.

Senator MARK BISHOP—I understand, thank you.

Senator O'BRIEN—Mr Taylor, I missed your quiet departure earlier. I understand that you told the secretariat that you had to leave, and that is understandable. Thank you for returning. In relation to the decision to advertise for a deputy secretary, can you tell me if the department will be served by a third deputy secretary or is Mr Yuile or Mr Mrdak moving on?

Mr Taylor—Unfortunately from the point of view of the Department of Transport and Regional Services, this will be the last Senate estimates that Peter Yuile attends because he will be taking up the role of the head of the Australian Quarantine and Inspection Service from the end of July. Peter's departure has of course necessitated, for such an important role, that we seek a replacement.

Senator O'BRIEN—I must say Mr Yuile has served the department well and it must be your view that his departure will be a loss.

Mr Taylor—Senior and skilled officers leaving an organisation are always a major issue for us, and certainly I have reflected on that publicly.

CHAIR—These are dorothy dix questions.

Senator O'BRIEN—I do not ask dorothy dix questions, you should know that.

Mr Taylor—Let me make it absolutely clear. You are quite right: Peter Yuile has contributed very strongly to our department. He has made a broad contribution across a wide range of areas and he certainly will be a loss. But the way in which we operate as a team and as an executive management group, which Peter has just briefly referred to a few moments ago, is one where we do seek to give support to each other in that process. While we will miss Peter, we will be working hard to fill that gap.

Senator O'BRIEN—Is there any concern about the loss of experience at senior levels of this department with Mr Matthews, Ms Briggs and now Mr Yuile all departing in the space of a matter of months?

Mr Taylor—I think, very importantly, heads of department are first of all supported by a breadth and depth of senior executives and an extraordinary capability of their staff. This

department is no different to that in having extremely competent and capable staff. I referred to that in my opening comments. Importantly, under Ken, Peter and Lynelle's leadership, a lot has been done to skill the staff and I think succession has been quite smooth and straightforward. I do not envisage it being a difficulty. Yes, we will certainly miss Peter in a day-to-day sense and certainly for his strategic advice. I have to say that one thing that tends to happen to old colleagues, particularly when they are still in reach, is that you do not entirely let them go. I think we will cope quite well.

Senator O'BRIEN—When will the transition take place? Do you have a process in place?

Mr Taylor—We have already advertised the position and applications are closing. Peter had already planned to take leave in mid to late June, so that would have been a normal occurrence—that officers do take leave. During the period between the beginning of June and the end of June I hope that we will appoint a successor to Peter. In a practical sense we will have transitioned remarkably efficiently.

Senator O'BRIEN—You are expecting to make the appointment around the end of June?

Mr Taylor—I would certainly hope that that is the case. All the procedures are in place to facilitate such a timing.

Senator O'BRIEN—Mr Taylor, in February Ms Varova told us that you were planning to make your first visit to the department's COAG Indigenous trials site in the Kimberley in March. Did you undertake that visit?

Mr Taylor—I certainly made a visit in the first half of this year. I cannot remember the precise dates.

Senator O'BRIEN—What was the duration?

Mr Taylor—About three days. I can tell you when it was because it was off the back of Cyclone Ingrid. I recall an extremely rough plane trip as we flew through it. Between Darwin and Halls Creek we saw nothing but cloud and buffeting until we came out onto the strip at Halls Creek. So if we can put a date on Cyclone Ingrid we can pick it up.

Senator Ian Campbell—Perhaps you should fly over some drought affected areas and bring thunderstorms and clouds to the eastern seaboard.

Senator O'BRIEN—Minister, I am not sure whether you think the Department of the Environment and Heritage has a cloud-harnessing program.

Senator Ian Campbell—We are having a close look at it.

Senator O'BRIEN—I know there is seeding, but harnessing is something new. It would be a major breakthrough. I believe 25 per cent of the water that flows out of the Australian coastline flows out between Broome and Darwin—so it is a pretty wet area normally.

Senator Ian Campbell—A former state opposition leader in Western Australia wanted to get a little bit of it and channel it down to Perth.

Senator O'BRIEN—Yes, I do recall something about that. I thought your name was mentioned in dispatches as well.

CHAIR—It was 78,000 gigalitres, to be precise.

Senator IAN CAMPBELL—Dr Gallop, to his credit, is spending \$5 million looking at the feasibility of it. Former Labor Deputy Speaker, Mr Edwards, is acting as a consultant. A few of us are hopeful.

Senator O'BRIEN—There is always scope for investigation. What did you do there, Mr Taylor?

Mr Taylor—An important part of what the premiers and Prime Minister set up as part of the COAG change framework for dealing with Indigenous matters was to ask department heads, particularly some of those more remote from mainstream Indigenous issues, such as the Department of Transport and Regional Services, to take an overview of what was happening in state and Commonwealth administration. At this stage I have had a preliminary look. I am not in a position to form any opinions. I very much admire the work that is being undertaken by a range of officers, both ours and other Commonwealth officers, in what are very remote communities.

Senator O'BRIEN—What did you learn from your visit? Is it premature to ask that?

Mr Taylor—I think it is premature to ask that. I am meeting with some of those communities again in mid-June. I would prefer to comment after having a couple of visits.

Senator O'BRIEN—Are they coming here or are you going there?

Mr Taylor—I am going there.

Senator O'BRIEN—That was your first visit and it was for about three days. You will return there some time for a couple of days after June.

Mr Taylor—Yes, about mid to late June.

Senator O'BRIEN—How would you describe your ongoing role in leading the trial?

Mr Taylor—I am not leading the trial. The trial is being led from the centre of government. I am a partner along with the Western Australian government in terms of the COAG East Kimberley. We carry that out as a partnership between the Western Australian government officials and Commonwealth officials. Recently the Western Australian government changed its chief executive of Aboriginal services and I am hoping to meet with the new leader in the not too distant future.

Senator O'BRIEN—Ms Varova said in February that the department is the lead agency in the East Kimberley COAG trial site.

Mr Taylor—The lead Commonwealth agency. It is a very important partnership that takes place in terms of the COAG trial framework.

Senator O'BRIEN—That is why I asked the question about you leading the trial. You are the leader of the lead Commonwealth agency, so I take it this department has a key role.

Mr Taylor—It certainly has a very important role in the process.

Senator O'BRIEN—I take it no aspect of the trial has changed, arising from your visit.

Mr Taylor—Very consciously, I think it is appropriate that we make any changes that take place in these trials through the officials and the communities that are on the ground. Rather than having high-level officials fly in and make instant changes, we are trying to make sure

we work very constructively to reinforce the community's working through of the issues. There were no specific issues. We certainly discussed a range of options and they were considered, and are still being considered—in conjunction with communities—by both the department's officials and other Commonwealth officials. I think there is an important principle of not having high-level officials flying in, addressing an issue and flying out. It leaves the wrong impression for what really is an attempt to make very long term and sustained change and, very importantly, to underpin those communities in terms of their decision making.

Senator O'BRIEN—So the important thing is what happens there, not what happens back here in Canberra.

Mr Taylor—Absolutely.

Senator O'BRIEN—I have some other questions about the department's role in the COAG trial and related Indigenous program matters, and I will ask them when we consider the regional services section, but I have one further question. As secretary, Mr Taylor, are you satisfied with the employment opportunities your department is providing for Indigenous and Torres Strait Islander people in Canberra and at your regional offices?

Mr Taylor—I think all Commonwealth departments have been taking a re-look at that matter and I have no hesitation in giving you an assurance that are we too. You have made some public comments about it which I am aware of. I would certainly intend that over the next 12 months we would address the issue more proactively than we have.

Senator O'BRIEN—Does that mean you are satisfied or you are not satisfied?

Mr Taylor—It means that I think there are opportunities for us to make a greater contribution in the future.

Senator O'BRIEN—Are you committed to that?

Mr Taylor—I am committed to that. I think you can consider some of the decisions that we made and some of the operations we had in the Department of Agriculture, Fisheries and Forestry.

Senator O'BRIEN—So we can note that you, as the secretary and therefore the executive team of this department, have a commitment to improving employment opportunities within the department for Indigenous and Torres Strait Islander people?

Mr Taylor—I think you could say that not only of ourselves but of all senior public servants. It has certainly been an issue that we have been discussing broadly as senior public servants.

Senator O'BRIEN—I do not ask you to speak on behalf of all; I am asking you about this agency.

Mr Taylor—You have had an assurance from me. If the secretary has got that view, my colleagues have got that view.

Senator O'BRIEN—Thank you, Mr Taylor, for answering those questions.

Senator MARK BISHOP—I turn briefly to one of the issues Senator O'Brien raised concerning staffing levels. I think you said that the department is advertising for the other deputy secretary's position; is that right?

Mr Taylor—It certainly is.

Senator MARK BISHOP—And you are still looking for an executive director of corporate services? Is that still the case?

Mr Taylor—We have advertised that position and are in the process of undertaking interviews.

Senator MARK BISHOP—When was the closing date of the application for the corporate services position?

Mr Yuile—Can we take that one on notice? I can tell you shortly. We have actually started the interviews.

Senator MARK BISHOP—Here we are: it was 15 April. How many applications did you receive?

Mr Yuile—A folder full.

Mr Mrdak—There were probably over 20 applications.

Senator MARK BISHOP—Can you take on notice and provide the committee with a table showing the total staffing for the department by group and, if possible, by branch, broken down by level and location, at the start of this financial year and at the current time, including ongoing and non-ongoing FTEs?

Mr Yuile—Yes, we can take that on notice. We can certainly give you figures of the FTEs as at June last year and as at 30 April this year, and we can give you breakdowns by levels and by gender. I think you asked for gender as well?

Senator MARK BISHOP—Yes.

Mr Yuile—We can do that by business division, although the allocations back to last year—

Senator MARK BISHOP—It has now changed of course.

Mr Yuile—Yes. So it will be indicative. Breaking that all down by branch I think is going to be more complicated. We will take that on notice. We will give you what we can quickly and take the rest on notice.

Senator MARK BISHOP—That is fine. Thank you. Have you had any redundancies in this financial year to date?

Mr Yuile—Do you mean voluntary redundancies?

Senator MARK BISHOP—Voluntary or mandatory.

Mr Yuile—I think there have been two voluntary redundancies.

Senator MARK BISHOP—I turn now to the table on page 15 of the PBS. In the column 'Expense measures', under the heading 'outcome 1' is the line 'Efficiency dividend—increase

in the rate from 1 per cent to 1.25 per cent' per year. What further efficiencies does the department expect to find? Who can answer that question, Mr Taylor?

Mr Taylor—It is probably most appropriately directed to the secretary. I think it is fair to say that it has long been a practice of Treasury and Finance at Commonwealth and state levels over probably the past two decades to continue to drive an efficiency dividend in organisations and that the way departments ought to be addressing issues that might require a growth or expansion ought to be picked up in relation to any new programs that come into being. I think we are seeing here exactly that same pressure.

Senator MARK BISHOP—Would you repeat those last two sentences?

Mr Taylor—A very simple example of our taking on a new program is the ramping up of the Office of Transport Security. We have quite clearly seen increased staffing and increased support for costs associated with the delivery of that service. It is quite specific as opposed to just general departmental expenditure. Firstly, it is a principle that has been around for a long time. Secondly, it is the way in which Treasury and Finance have guided—and, as I said, I use it quite generically—that process by putting constant pressures on baseline but adding where there are priorities in terms of government expenditure. I think the other thing that is worth saying—

Senator MARK BISHOP—I think the committee is well aware of both those statements. Without being disrespectful, they are statements of the obvious. It has been government policy I think since the current government came in at least—

Mr Taylor—And the previous—

Senator MARK BISHOP—Yes, and probably the previous. So there is a constant review of appropriations and outlays and we are always looking to save. The question was: have you increased the rate in the forward financial year from one per cent to 1¼ per cent—an increase of 25 per cent? What further efficiencies do you expect to find?

Mr Taylor—To finish what I was saying, leaving aside what I think is important—that is, an understanding of the background framework—the second issue is that we, the executive management team, are constantly looking at how we might improve the way in which we efficiently run the organisation. I do not think we ought to underestimate that we continue to bring forward information technology improvements. We certainly look to prioritise our work and in some cases we will in fact delete an activity that we believe is no longer important. We also look to the way in which we might deliver things in a different manner. For instance, publications might be far less voluminous in terms of their print runs. We might be much more prepared to print them on an 'as need' basis using different formats. There are a range of issues and we are constantly looking at the way in which we respond to that pressure.

Senator MARK BISHOP—Mr Ash and Mr Chandler would do that as part of their normal operational work? The sorts of savings that you just identified would be part of normal management function, wouldn't they?

Mr Taylor—We would certainly expect that, which is what I think Treasury and Finance would expect us to do—hence their claim on the 1¼ per cent.

Senator MARK BISHOP—Are you really saying that despite the request for an increase from one per cent to 1¼ per cent, it is more of the same?

Mr Taylor—It is not more of the same. As a community—and we are no different—we are constantly driving for improved efficiency in terms of how we assemble the work we do and the way in which we carry it out. We do not shy away from having to do that in the same way as the rest of the community keeps improving its productivity and efficiency.

Senator MARK BISHOP—Mr Taylor, if I had asked you this question every year for the last 10 years you would have responded that you have been doing that as part of normal executive management work: you have been trying to find savings in different and more efficient ways.

Mr Taylor—I certainly would have answered in the same way.

Senator MARK BISHOP—I would expect that answer. That is not my question. You are constantly engaged in trying to find savings. My question is about the government's choice to increase the efficiency dividend from one per cent to 1¼ per cent. Is this more of the same or are you going to have to find additional savings—and, if the answer is yes, where?

Mr Taylor—I think the answer is that we are quite clearly going to meet that efficiency dividend. We intend to comply with the framework that has been established in this PBS. And I think we will be capable of doing that through the way we organise ourselves and the way we undertake our services. While you might describe it as more of the same I think that if I was to use the same 10-year period that you talked about and took a snapshot at the beginning of year 1 and then took another snapshot at year 10, we would be aware of some extraordinary gains made over the past decade in the efficiency with which we carry out work. If nothing else, I can look at this table and see a number of computers sitting there that are now significantly linked. People are working in parallel as they work at the committee and also deliver on work elsewhere. I think we will be driving the same sorts of efficiencies and I believe we will achieve the 1¼ per cent rate as opposed to the one per cent rate.

Senator MARK BISHOP—What will it mean for your operations—the actual work that you do?

Mr Taylor—A better way of saying it would be that we had probably already factored in, in our own minds, that we would be delivering a one per cent saving without even questioning it and that we would be continuing to drive those efficiencies. The 1¼ per cent saving is lifting the high jump bar a little but it is not something we cannot contemplate. I think we will do it by driving hard at the breadth of ways in which our organisation operates.

Senator MARK BISHOP—Have you established any particular or stand alone committee to have this responsibility?

Mr Taylor—We have not, partly because we see the overall efficient running of the organisation as one of our important routine management roles. We quite consciously check on our performance every quarter. We stand back and look at our financial performance as senior managers. We also take a look at the way we are delivering on programs. And that constant focus—you might like to describe it as 'grind'—is very important in making sure that we can deliver on those requirements.

Senator MARK BISHOP—I see that your staffing level is going to increase next year to 828 people. What proportion of your expenses are salaries and associated on-costs such as superannuation, workers compensation, leave and those sorts of things?

Mr Taylor—If you do not mind I will ask the Chief Financial Officer to address the detail.

Mr Ash—If we again go to the financial statements on page 64 we will see that of the \$207 million-odd that we are going to spend this year, employee expenses are budgeted to be around \$110 million. If you want a specific breakdown of employee expenses, of superannuation and various other components, I would have to take that on notice.

Senator MARK BISHOP—Please take that on notice and provide a detailed break up of the \$110 million. Mr Ash, can you break those figures down over the last 10 years? Does your system do that?

Mr Ash—It could be done but with a great deal of difficulty. The financial system that we have in place at the moment would only go back about five years.

Mr Chandler—It would be impacted by the capacity within the financial system that we have, but also in that time we have changed for the government the basis of accounting. We have moved to an accrual budgeting regime. I think that five years back would be the most we could aspire to in providing that sort of breakdown.

Senator MARK BISHOP—When did you implement the accrual accounting?

Mr Chandler—That would have been introduced for Commonwealth agencies on 1 July 1999.

Senator MARK BISHOP—Can you give me a table, Mr Ash, of your total revenue from ordinary activities, total staff numbers and FTEs for the last five years and then break up that total revenue for each year into the various line items so that I can track through expenditure on—I am trying to think of something that has not increased; super and workers comp have increased—a particular matter?

Mr Chandler—We can certainly provide you with the financial statements breakdown across that period of employee expenses, suppliers, depreciation expenses and the category ‘other’, which is a bit of a catch-all, simply drawing upon our published financial statements. We can certainly break that down. I am not sure that we could provide a lower level of detail. It would take a substantial amount of work and I am not sure how good those figures would be, but if you would be happy for us to break down employee expenses, suppliers, depreciation and ‘other’, we could certainly go back over that period.

Mr Taylor—We will certainly do the very best we can on the matter.

Senator MARK BISHOP—I know that you can supply the figures on employees, suppliers, depreciation and amortisation because they are there in the PBS. That has combined five tables from five years. That is no problem. I am looking for more detail than just those headings that you have in the PBS for the five years. I am looking for a further line breakdown under each of those headings for the last five years. Can that be done?

Mr Chandler—Are there particular categories?

Senator MARK BISHOP—No, all categories.

Mr Yuile—All categories of employees—is that what you mean?

Senator MARK BISHOP—All expense items relating to each of the headings: employees, suppliers and depreciation and amortisation. I would like to do an analysis of the subline items of where money has been expended, because Mr Taylor told me that there were ongoing efficiency practices within the department.

Mr Ash—There is also the fact that the department has increased and decreased in size. We can put some tables together based on information contained in our financial statements for the past five years. We will stick to the categories that are in the various notes—otherwise it does become very complicated—but we should be able to fairly readily put some more detailed information together based on financial statements.

Senator MARK BISHOP—If you do not mind doing that, Mr Ash. If it is not satisfactory we will pursue it in the normal way. That is not an issue.

Mr Taylor—I wonder whether I could just help so that when the results of Mr Ash's work come forward they do not lead to some confusion. There is an overall one per cent—or now 1¼ per cent—efficiency dividend, but when I made those comments I reflected on the fact that that does not mean that the department is not provided with additional funds at different times for both staffing and operational activities. So when you look back over time, first of all, you are not going to see a constant one per cent decline because that is going to be masked by different policy choices that the government has made from time to time. If I could give you an example in this current budget, there has been an increase—leaving aside the 1¼ per cent efficiency gain—in some of the maritime surveillance work which will actually equate to an increase. So it is going to be difficult to get helpful disaggregation, if you like. I am sure Mr Ash will do his best, but I do want to be helpful at the beginning by indicating that often that previous 1¼ per cent or one per cent gets masked by these other government initiatives.

Mr Ash—If you refer to page 61, you will see a chart of at least the last three years worth of expenses. That is an aggregate figure, obviously. Even that is moving around quite substantially. There are some significant one-off factors, for example, in 2002, 2003, 2004, where the department took an expense associated with the booking of a provision for asbestos liability. That will flow through. Admittedly that is a one-off which can be easily identified. Also, the Indian Ocean territories area was a departmental activity up until 2003-04. With those sorts of impacts, it might be worth trying to tell a little bit of a story around it, as we do in our financial statements, because you are going to find all these other impacts will significantly mask the 1¼ per cent you are looking for.

Senator MARK BISHOP—I think they will too, Mr Ash. That is why I have asked the question. If you could take that on notice—I think we know where we are heading there. Will the efficiency dividend effect graduate recruitment plans at all?

Mr Taylor—No, it will not.

Senator MARK BISHOP—How many do you recruit each year?

Mr Taylor—I will ask Mr Chandler to answer that question because we have had some variable numbers, but I want to give a broad principle: we see the graduate recruitment program as being a very important and ongoing commitment.

Mr Chandler—We recruited 31 graduates this calendar year.

Senator MARK BISHOP—Is that figure much the same as in previous calendar years?

Mr Chandler—No, it is higher. Last year the figure was, from my recollection, 15. The year before that, it was on the downside of 20. Typically the figure has been around 20. This year was higher.

Senator MARK BISHOP—Why is there an increase this year?

Mr Yuile—There was a conscious choice of recognising, as we have already mentioned, an increase in the appropriations that government was giving to our department and also a recognition that, like everyone else, we are competing for a scarcer resource and we want to make sure that we give ourselves the best chance of building that kind of corporate memory by bringing in a larger number at the lower levels and training those people. I think you will find lots of departments and, indeed, other organisations are looking at how to attract and retain young graduates.

Senator MARK BISHOP—Would you anticipate that shift from 20-odd to 30-odd to permanent or just a one-off thing?

Mr Yuile—I am always careful to talk about permanent shifts, but we are continuing to look carefully at the optimal number of graduates we can recruit relative to our budget and to the kinds of functions that the government is asking us to undertake. I would expect we would have a good number for next year as well, probably around the same.

Senator MARK BISHOP—Around 30 again?

Mr Yuile—I would say so, Senator, but I would not want to tell you that that is going to happen in perpetuity.

Senator MARK BISHOP—Does meeting the efficiency dividend affect your capacity to retain experienced staff in any way?

Mr Taylor—The answer to that question is quite clearly no. I am not seeing that as an issue at all.

Senator MARK BISHOP—How many staff are covered by AWAs in the department and how many are on the collective agreement.

Mr Chandler—I need to take that on notice. I am not sure of the number off the top of my head.

Senator MARK BISHOP—Do you have indicative figures?

Mr Yuile—Excluding SES officers?

Mr Chandler—I think it is over 100.

Senator MARK BISHOP—On AWAs?

Mr Chandler—On AWAs.

Senator MARK BISHOP—Does that include or exclude the SES?

Mr Chandler—It is over 100 excluding SES, in the low 100 mark, but I need to confirm the figure for you.

Senator MARK BISHOP—All the SES people are on AWAs, are they not?

Mr Chandler—All SES are.

Senator MARK BISHOP—How many of them are there?

Mr Chandler—There are 35 at the present time.

Senator MARK BISHOP—If you have a few over 100 on AWAs, you would have the best part of 700 on a collective agreement?

Mr Yuile—Yes. The bulk of the department is covered by the certified agreement.

Senator MARK BISHOP—Are the 100 that you have on AWAs at a more senior level, approaching SES level as opposed to junior and lower levels?

Mr Chandler—Typically they are at the higher level but they cover all classification ranges.

Senator MARK BISHOP—Typically at the higher level—I would have thought so. Can you provide on notice a breakdown of the take-up of AWAs by gender and by classification.

Mr Chandler—Yes, Senator.

Senator MARK BISHOP—Can you tell me how many, if any, staff on AWAs are paid more than the pay band for their classification under the relevant certified agreement?

Mr Chandler—Yes, we can do that. The issue we will confront in responding to that request is that a number of AWAs include performance type arrangements and that not all benefits are of a direct salary nature—they may include other benefits. We will look at how we best respond to that.

Senator MARK BISHOP—If you take the information out and there are pertinent caveats that I should be aware of then put those in, because it does affect the thinking. You said there were some staff on AWAs paid more than the pay band for their classification under the certified agreement. Do you have an indicative figure of that?

Mr Chandler—I would not want to hesitate a guess at that. I will provide you the figure on notice. It would be small, Mr Yuile is advising me, but I am just not sure of the figure.

Senator MARK BISHOP—Why were they not simply promoted to the higher classification under the certified agreement as opposed to being given a higher rate on the AWA?

Mr Chandler—They would most typically reflect particular skills that an individual brings to a role at their substantive level, so organisationally they remain at their level but it is a recognition of the skills and capabilities that they bring that are important to us.

Senator MARK BISHOP—Let us say I am classified as a level 8 or a class 8. That means I have got certain levels of skills and knowledge and ability to do work in a certain function. If I go on the AWA I get a higher rate pay. Why wouldn't I simply be paid the relevant higher duty allowance or made an acting level 9 under the certified agreement? Who makes that choice?

Mr Yuile—Typically that is the manager concerned, reflecting, as Mr Chandler has indicated, particular skills. We are not all the same and in some cases there are skills that are in short supply. It might be a recognition of difficulties in the marketplace.

Senator MARK BISHOP—With due respect, that is a bit of the side argument. If the department thinks it appropriate to pay me at a higher level than my classification it has got two ways it can do it: it can pay performance pay or an incentive under the AWA, however you call it; or it can reclassify me or pay me appropriate higher duties—whatever that is called these days—under the certified agreement. I am asking why the department is going down the path of putting people under the AWA and not the other option.

Mr Yuile—I am thinking of one example where I know there are particular circumstances for the person concerned and they are at a lower level. From their point of view the AWA gave them flexibility and it also gave the department flexibility in undertaking duties which were well outside of normal hours, for example. It was just a simpler route which suited the employee and suited the department. I think you will find that is often the case where it is beyond band—and there are not too many of those, as I recall.

Senator MARK BISHOP—Is that a person who wanted to work from home?

Mr Yuile—No. In this case it was around some of our media monitoring and the time taken, when they come in, getting the press and radio coverage and getting that out early, and also reflecting their personal circumstances.

Senator MARK BISHOP—Let us shift away from that specific case. Let us talk about general policy and principles. When this offer is made to a staff member, is the staff member made the offer in terms of ‘either/or’ or is the staff member made the offer in terms of receiving a higher rate ‘if you sign under the AWA’?

Mr Chandler—In reacting a little to your words, it is not that we offer a higher rate if they enter into an AWA. I would not want it to be taken that we try, in a sense, to coerce people into AWAs by offering them a higher rate. An AWA arrangement is put in place when we determine internally that somebody has a particular skill set which warrants us making some arrangement which gives them a higher remuneration package. Typically, throughout the process we favour putting in place AWAs. That is usually our preferred option and the option that is put to an employee. The advantage with an AWA is that it does provide significant clarity between an organisation—any department—and the employee of the expectations why this additional amount is being paid. There is a clarity of expression around those expectations which you get under an AWA arrangement.

Senator MARK BISHOP—Thank you, Mr Chandler, as that explains it for me. It was a fine answer. You use the words ‘preferred option’ in terms of offering the AWA. Is that preferred option a departmental policy decision or is that a directive from the government—from a minister—to the department to implement?

Mr Chandler—No, there is no direction or communication from the minister on those issues. It is simply a matter of practice within the department. You will not actually find it written as a formal policy. It is our preferred approach as a matter of practice over time. I would suspect that would be true of other organisations.

Senator MARK BISHOP—Presumably, that preferred approach that has developed over time did not come out of the air. Did that come following discussions of the executive management group?

Mr Chandler—It came through a range of discussions over time when considering individual cases. There are situations where we pay people additional responsibility allowance—ARA—or consider changing the classification of a role. In those circumstances the individual must then apply for the role in a competitive process. On occasions when we deem it consistent with the objectives in relation to the individual place, we will follow other routes, but in providing a great deal of clarity in the relationship between the individual's and the organisation's expectations AWAs have advantages. AWAs also typically have a two-year lifespan. An AWA does impose rigour on the individual and the organisation to review periodically, whereas simply moving somebody into a new classification locks that in. Often the gains for the organisation of putting in place an AWA are for a limited time as you want a particular skill set for a particular time. Sometimes it may be tied to completion of a particular task. There is quite a range of factors that are taken into account.

Senator MARK BISHOP—You have agreed to take on notice that question of how many staff on AWAs are paid more than the pay band for the classification under certified agreements. Can you also do that for those purely under certified agreements?

Mr Chandler—Sorry, would you please state that again.

Senator MARK BISHOP—Say I am classified as a level 8 under a certified agreement and I am reclassified as a level 9 or whatever for a particular time or particular job or particular task. Can you provide me with details of the numbers of persons in that group so I can do a comparison with AWAs?

Mr Yuile—So you mean people on additional responsibility allowance?

Senator MARK BISHOP—Is that what it is called?

Mr Yuile—Yes, it is an ARA.

Mr Chandler—At this point in time we can provide you with the numbers for AWAs, as you have asked, and the number of people who are on additional responsibility allowance. The caution is that ARA may often be for a period of four or six weeks—a relatively short term—while somebody is acting in another role. You would need to be careful not to assume that there would be large numbers of people on ARA permanently.

Senator MARK BISHOP—Let us cut out short-term acting when people go off on annual leave, long service leave and sick leave, which is going to happen, and make it for those more than three months. That will cut out the routine acting work, won't it?

Mr Chandler—There may be people on long service type leave. We will provide information and appropriate notes.

Senator MARK BISHOP—Thank you. Is performance based pay available under the agency's certified agreement, Mr Taylor?

Mr Taylor—You have asked a question of detail on a certified agreement that was negotiated prior to my time. Mr Chandler will answer the question.

Mr Chandler—No, performance pay is only available under AWA type arrangements.

Senator MARK BISHOP—How many staff in the agency are eligible for performance based pay? Is it only those on AWAs?

Mr Chandler—It would be a subset of those under AWAs. Not all of those on AWAs have a performance component.

Senator MARK BISHOP—Can you provide me with a table showing the number of staff, the number under certified agreements, the number under AWAs and the number under AWAs that have performance based pay.

Mr Chandler—Yes.

Senator MARK BISHOP—You had better put in a caveat line for SES and non-SES. I presume all SES under AWAs have performance pay.

Mr Yuile—No, they do not all have performance pay.

Senator MARK BISHOP—Then please provide that two-line break up. Could you please provide a breakdown of the aggregate performance based pay outcomes by classification and by gender for all people under AWAs? You said that performance based pay was not available under certified agreements.

Mr Yuile—It is not available under certified agreements, and not all AWAs have a performance component.

Senator MARK BISHOP—Turning now to page 62 of the PBS, under chart 5.2, 'Budgeted assets for 2005-06', there is a line that says:

The DOTARS primary liability continues to be accrued employee leave entitlements of \$29.1m. The liability is estimated to increase by around \$1.0m during the 2005-06.

Is that liability considered materially high?

Mr Chandler—It would not be. It is simply a function of the number of people we have and their length of service. It is, in a sense, formula driven and it captures liabilities accrued by employees since the implementation of accrual budgeting on 1 July 1999.

Senator MARK BISHOP—It comprises untaken annual leave and untaken long service leave. Is there anything else?

Mr Ash—There could be, depending on when the end of the financial year hits. There will be an accrual at that point if you are in the middle of a salary period. For example, if the pay period is the day before the end of the reporting period, there will be very small provision. That can be a couple of million dollars, depending on where the pay cycle is.

Senator MARK BISHOP—As high as 10 per cent?

Mr Ash—Yes.

Senator MARK BISHOP—Let us say it is \$3 million and bring it down to \$26 million because of the way the calendar operates. That is just a feature of the calendar.

Mr Ash—Yes.

Senator MARK BISHOP—If we knock off \$3 million for that, it means you have a liability of \$26 million related to annual leave and long service leave?

Mr Ash—Correct.

Senator MARK BISHOP—Can you break that down to how much is annual leave and how much is long service leave?

Mr Ash—We can have a look at doing that.

Senator MARK BISHOP—Does the department have a policy that people should acquit annual leave and long service leave within a reasonable period of time after it becomes due or is it allowed to accrue?

Mr Yuile—Yes, there is an encouragement. There is a desire to achieve that and it is regularly communicated to staff to encourage them to take their leave as it accrues or as soon as they can—obviously conveniently within their personal circumstances. There are people who accrue leave for a whole range of reasons and we have deeming arrangements in place after a certain point. But we try to ensure that people know that those numbers are approaching and we encourage them, through their supervisors, to take their leave. It is a very personal thing, as you know, but we have always encouraged people, on the basis of good health and family and personal circumstances, to take their leave as they can.

Senator MARK BISHOP—That is fine, Mr Yuile. I hear the words ‘incentive’ and ‘encouragement’. You have a liability of somewhere between \$26 million and \$29 million, which is growing and not reducing, and the officials advise me it relates almost exclusively to untaken annual leave and untaken long service leave.

Mr Taylor—I will ask the Chief Financial Officer to provide a little bit of clarifying data. Before he does that, I think it is worth saying that Mr Yuile has given a very good outline of the principles we believe ought to apply in respect of annual leave. With respect to long service leave, we do not guide people to immediately take long service leave. We believe that is a matter of choice for individuals. In the case of recreational leave—

CHAIR—Can you cash out long service leave?

Mr Taylor—I am going to get the Chief Financial Officer to walk us through the breakdown. I think if we have him walk us through the breakdown that exists in the annual report it might put a bit of balance into the discussion we are having.

CHAIR—Will he include sick leave in that?

Mr Ash—There is no provisioning done for sick leave.

CHAIR—So you cannot accumulate sick leave?

Mr Ash—No, not from the point of view of financial statements. I refer you to page 247 of the 2003-04 financial statements.

Senator MARK BISHOP—I do not happen to have that document with me.

Mr Ash—If you have a look at note 10B, you can see that it breaks the provisioning up. You will notice that the first line is salaries and wages. In 2003 we have a provision of about \$2½ million. That is an example of when a pay period actually hit the next day. So,

effectively, we have the full day period being accrued at the end of the financial year. The leave is on the next line. That is both long service leave and rec leave. There is no specific break-up between the two. If you move to the bottom of the table, you will see a split between current and non-current.

Senator MARK BISHOP—Yes.

Mr Ash—Broadly speaking, current would be regarded as recreation leave and non-current would be regarded as long service leave. It is not materially different, but there would be a bit of both on either side. They would not be significant components.

Senator MARK BISHOP—So the bulk of the non-current is long service leave?

Mr Ash—The bulk of it is long service leave. And it will grow, obviously, with the increasing size of the organisation.

Senator MARK BISHOP—Yes, and as people do not cut it out—

Mr Ash—People tend to hang on to long service leave.

Senator MARK BISHOP—The department is satisfied with that arrangement?

CHAIR—Does that mean that if you accumulate long service leave for 15 years it is like having money in the bank because you are getting interest on your money because the wage levels are increasing? It is not a bad investment, is it?

Mr Ash—A short answer to that would be that your long service leave entitlement is based on the salary of the day with the entitlement being accrued.

CHAIR—So do you track the sort of investment it is—if people store their long service leave, instead of putting the money in the bank and cashing it out? Can you give us those figures?

Senator O'BRIEN—Which salary are you talking about?

CHAIR—Long service leave.

Senator O'BRIEN—Yes, but someone might move classifications.

CHAIR—That is why it is interesting to track it, because if you go up three grades it is not a bad little lurk.

Mr Chandler—It would not be possible for us to do a meaningful comparison. The point you make is valid. It increases over time.

CHAIR—If you accumulate your long service leave when you are on whatever the wage is and then another seven or eight years of the accelerated part of your career path goes by and you are on double the pay point, it is not a bad little investment, is it?

Mr Chandler—It increases exponentially.

CHAIR—That is the flaw in allowing you to accumulate. Instead of cashing it out when it is due, you accumulate it. Is that right?

Mr Chandler—There are different legislative arrangements, I understand, around long service leave. We do not have a power to demand, dictate, direct—

CHAIR—It is reasonable for us to know how much it is costing. I am sorry I have taken an interest in this. Just for the record, some years ago in New South Wales, for every 14 years of service you accumulated a year's sick leave which was fully taken when you retired. By the way, you can no longer do this. I would like to ask some questions about sick leave. What is the story with sick leave?

Mr Ash—With sick leave there is no ability, as I understand it, to cash any entitlement out, unless you are sick. It is not a cash out; you actually draw on the entitlement.

CHAIR—Sick leave is intended for people to get sick, not as a retiring benefit.

Mr Ash—Absolutely. And long service leave, while you are continued to be employed by the Commonwealth, can be drawn up, but it cannot be cashed out per se. It is only at the time of retirement or resignation that that would then become an issue.

CHAIR—So there would be a proportion of people who never take their long service leave and cash it out.

Mr Ash—There may be.

CHAIR—What proportion might they be? Can you provide us with that information?

Mr Yuile—It would be a guesstimate. We can look at what we can do for you. There are also those people who die when they retire and never get a chance to enjoy any of those benefits.

CHAIR—I would just be interested in the sums side of it.

Mr Chandler—We can give you some indicative figures. It depends so much on the personal circumstances of individual employees.

Senator MARK BISHOP—Do your appropriations for wages each year include an amount for long service leave and annual leave?

Mr Ash—There is a component in the revenue that equals the expense that is being prevented each year. But, for example, if next week everyone decides to take all their long service leave we would have to fund it from the balance sheet. We would not get an additional appropriation.

Senator MARK BISHOP—Because you have been funded at once.

Mr Ash—Yes, which is the reason for the provision.

Senator MARK BISHOP—You said that staff cannot be directed to take long service leave once it has fallen due; is that correct?

Mr Chandler—That was my advice. As I indicated, I believe there is a legislative provision which protects long service leave. I would need to take that on notice.

Senator MARK BISHOP—Can you take on notice and provide in writing the legislative instrument that regulates long service leave for staff in the department? Can you provide a copy of that instrument? And can you, in your answer, draw my attention to the relevant clauses that prevent the department from mandating staff to take long service leave after it falls due?

Mr Chandler—Yes.

CHAIR—Can you cash in your long service leave only when you retire or can you cash it in when it falls due?

Mr Ash—It is when you cease employment with the Commonwealth, be it through death, resignation or retirement. You cannot cash it out while you are still in employment.

CHAIR—It would be more economic for the department to let you cash it out, though, when it was due, rather than when you retire, because of the finishing rate paid.

Mr Ash—I think, again, it relates back to the long service legislation that precludes cashing out.

CHAIR—So why would you be deliberately doing yourself in the ear, which you are?

Mr Yuile—By taking it, you mean?

CHAIR—If you allow people to cash it when it falls due, rather than when they finish and their pay rate might be double, why would you do yourself in the ear? Why wouldn't you let people cash it when it was due? They might have a better purpose for it then.

Mr Chandler—As I was saying, I think it is the legislation that precludes that.

CHAIR—Why? Has no-one ever argued this?

Mr Chandler—We would need to take advice.

CHAIR—Take it and come back to us.

Senator MARK BISHOP—Can you take on notice how many staff have been recruited to the department this financial and calendar year?

Mr Yuile—Do you mean the 2004-05 financial year and then from 1 January this calendar year?

Senator MARK BISHOP—Could you give me the calendar year ending December 2004 and then give me the current calendar year figures to the extent that you have them and then the financial year figures to 30 June 2004 and the current figures as you have them for this financial year?

Mr Yuile—Your question is about recruited staff?

Senator MARK BISHOP—Yes.

Mr Yuile—So at the end of June 2004 and to say 30 April?

Senator MARK BISHOP—That is fine.

Mr Yuile—As we said earlier, we can give you those numbers.

Mr Chandler—Whilst we do not have them at those particular dates, it may be that the figures I do have would satisfy your question. At 30 April 2004, the FTE was 836.5. At 30 June, as we exited last financial year, it had increased to 879.8. As at 30 April, just gone, it was 1,088.25. So over the 12 months to 30 April it has increased from 836.5 to 1,088.25.

Senator MARK BISHOP—That is an increase of 250 in less than 12 months.

Mr Chandler—That is correct.

Senator MARK BISHOP—Do you anticipate further increases in staffing numbers post 30 April this year?

Mr Yuile—I think the short answer is yes, but maybe not at the same rate. We were certainly increasing rapidly—

Senator MARK BISHOP—That is almost 30 per cent in 12 months.

Mr Yuile—Our increase was particularly in the staffing up of the Office of Transport Security and placement of people both in regional offices and the national office. There were increases elsewhere as well.

Senator MARK BISHOP—That is a 30 per cent increase over almost a 12-month period. You would anticipate further increases but not on that scale?

Mr Yuile—That is my expectation.

Senator MARK BISHOP—What do you think it will cut back to, Mr Chandler?

Mr Chandler—The percentage increase? I would be hazarding a guess. I would expect that in bald numbers it may be an increase of 50 to 100 staff, which would put it in the five to 10 per cent mark.

Senator MARK BISHOP—Did the bulk of the recruitment increase over the last year from 830-odd to almost 1,100 come through external applicants?

Mr Chandler—Certainly there has been a large influx into the department. A large proportion of that would have been people who were not part of the service previously.

Senator MARK BISHOP—When you say ‘the service’ what do you mean by that?

Mr Chandler—I am talking about the Australian Public Service. It reflects the fact that the main driver of that increase in staff has been the Office of Transport Security, so we have often needed to recruit people with particular skills and often they have come from outside government.

Senator MARK BISHOP—In the last 12 months the figure has gone from 836 to 1,088. Can you take on notice the number that came from within the service and those who came from without?

Mr Chandler—We will do that. The increased figure there is a net figure, so it is net of some people who left. What I will give you, so that we are clear for the record, is the breakdown of the number of new staff. So it will not be the net figure. It is the number of new staff over that period.

Senator MARK BISHOP—Yes, I understand. What is the rate of staff turnover in the department?

Mr Chandler—I do not have it as a percentage, but in the period 30 June 2004 to 30 April just gone 180 staff left. For the same period there were 293 commencements of ongoing and 91 of non-ongoing.

Senator MARK BISHOP—Do you do an exit study when they leave?

Mr Chandler—We have exit arrangements in place. I could not say that an exit discussion or exit interview is done in every case, but such arrangements exist.

Senator MARK BISHOP—What arrangements do exist?

Mr Chandler—There is on our intranet site, our internal web site, an exit form which people are invited to complete. Managers are encouraged to ask exiting staff to complete that, and many do, but it is not something we impose as mandatory.

Senator MARK BISHOP—What is the take-up rate—20 per cent, 30 per cent?

Mr Chandler—I cannot tell you; I would have to take that on notice. It would be relatively low.

Senator MARK BISHOP—If it is voluntary and they are leaving I would assume it is low. Have you given consideration to making it mandatory?

Mr Chandler—No.

Mr Yuile—On your turnover question: my memory is that it has been around 12 per cent. It has been up a bit higher, in around 2003-04, and it has come down again. It has fluctuated a bit.

Senator MARK BISHOP—I would anticipate it would. If you are expanding on the scale you are expanding, your turnover rate would go down. Does the annual report contain a list of external consultants retained each year?

Mr Yuile—Yes.

Senator MARK BISHOP—When is the latest annual report—for 2003-04?

Mr Yuile—Yes.

Senator MARK BISHOP—Where is that in the annual report?

Mr Yuile—It is page 176, appendix C. The appendix covers contracting practices and outcomes and then there is a table.

Mr Chandler—The information that is provided in here at page 182 is in summary form. There is information available on our web site. There is detail in relation to market research firms, but on consultancies it is available on the web site.

Senator MARK BISHOP—Table 7.3, detail of market research and advertising payments of \$1,500 or more, on page 183 is just a subset of all external consultancies, isn't it?

Mr Chandler—It is.

Senator MARK BISHOP—Can you provide me with a table in the same form for all external consultancies?

Mr Chandler—If we may, we will provide the table in the form that is required for us to report each year, which covers all consultancies over \$10,000. It includes information on the firm, the service, the quantum and the selection.

Senator MARK BISHOP—That is what I want.

Mr Yuile—I think you will find that we answered Senator Carr's question on 8 April with detail like that.

Senator MARK BISHOP—What is the number of that question?

Mr Yuile—I have got a copy here if you want it.

Senator MARK BISHOP—So you have already provided that answer?

Mr Yuile—Yes, we have.

Mr Chandler—We provided an answer which included consultancies for the current year up to, I think, 16 March, and we can provide you with a copy of that.

Senator MARK BISHOP—If you can provide that and if you have updated figures, that would be of interest. Can you also provide a breakdown of consultant costs for all consultancies over the last three years and their variance to budget, if any, and a projection for next year?

Mr Chandler—When you say ‘projection’ for next year, 2005-06, that is a projection of the likely total expenditure? We have a range of different consultants and it will not be possible for us obviously at this stage to identify exactly who—

Senator MARK BISHOP—Because the contract has not been let?

Mr Chandler—Yes.

Senator MARK BISHOP—But you would have forward work being done on consultancies and likely expenditure patterns for those consultancies for the next 12 months.

Mr Chandler—We would have some sort of notion in our business planning of how much is likely to be spent on consultancies overall, but at this stage exactly what these consultancies are and their purpose would not be clear for the whole year. But we will provide the best information we can.

Senator MARK BISHOP—Answer the question for the last three years and, to the extent that you can, for the next 12 months. I understand the point that you are making. You will provide me with a copy of that answer too—

Mr Chandler—Yes.

Senator MARK BISHOP—Senator Carr’s question, from memory, was across all departments, wasn’t it?

Mr Chandler—I believe it was.

[12.34 pm]

Bureau of Transport and Regional Economics

ACTING CHAIR(Senator Ferris)—I now welcome officers from the Bureau of Transport and Regional Economics.

Senator MARK BISHOP—I note on the chart on page 12 of the PBS under the heading ‘Portfolio Strategic Policy & Projects’ there is a subunit for the Bureau of Transport and Regional Economics. When my office looked at the PBS it was unable to separately identify in the PBS a separate appropriation line for the BTRE. Is that correct?

Mr Mrdak—That is right. Essentially, for outputs and outcomes we have identified both corporate and portfolio strategic policy work across the department, and coming back to the discussion you had a bit earlier with the CFO in relation to how we have costed those against

each of the line outcomes, while the BTRE has its own internal budget and its own resourcing allocation, that is not reflected in the PBS as a separate item.

Senator MARK BISHOP—So what is the funding allocation for the BTRE for the next financial year?

Mr Mrdak—We are currently in the process in the department of settling budgets for the coming year. We are now at a stage where each of the line divisions, including the bureau, has lodged indicative business plans, but the secretary is yet to settle final resource allocations. Mr Potterton might want to give you an indication of what the allocation is for this financial year and the projection going forward, but the secretary is yet to settle final budgets for the coming year.

Senator MARK BISHOP—I understand that caveat, Mr Mrdak.

Mr Potterton—The allocation for 2004-05 is approximately \$4.2 million.

Senator MARK BISHOP—What is the indicative for 2005-06, subject to the secretary signing off?

Mr Potterton—The indicative allocation for 2005-06 is \$5.1 million.

Senator MARK BISHOP—That is an increase of almost 20 per cent. Is that to do with the research capacity of the BTRE, or otherwise?

Mr Potterton—Yes. That includes proposed increases in support of bureau research activities, particularly in relation to AusLink, and for the development of land transport statistics or improved land transport statistics capability.

Senator MARK BISHOP—Do you do land transport statistics or does the ABS do that?

Mr Potterton—The ABS has an absolutely critical role in relation to land transport statistics. It undertakes the survey of motor vehicle usage annually, which is used by the Commonwealth, by jurisdictions and by industry.

Senator MARK BISHOP—So you use their raw data, do you?

Mr Potterton—We certainly use their data. However, the bureau has a very significant role in aviation statistics—it is the sole provider of aviation statistics—and it has a shared role with the ABS in relation to maritime statistics. I guess it is that shared model that we are interested in pursuing in relation to land transport statistics. Particularly through the AusLink development process there has been a recognition that there is a need for improved data, so that is something we are interested in trying to address.

Senator MARK BISHOP—Will the bulk of the increase from \$4.2 million to \$5.1 million, subject to tick-off by the secretary, go to AusLink work or to the land transport statistics?

Mr Potterton—The bulk would be in relation to AusLink, but some of it would be data development projects that would really inform both.

Senator MARK BISHOP—Can you tell me what the work is that needs to be done for AusLink? Can you tell me broadly what that extra funding is going to be for?

Mr Potterton—One important project that we have under way is to provide up-to-date estimates of origin-destination freight flows on a national basis. We plan to do this using some 2001 vintage ABS freight-flow information, updating that using the vehicle count information that is available from the jurisdictions and then generating a national database on that basis so that we can continue to update nationally until such time as a further freight origin-destination survey is undertaken. Freight surveying is an extremely expensive activity.

Senator MARK BISHOP—Yes, I understand how that would be important. Has the research program for the next financial year been finalised?

Mr Potterton—No. It is under development at the moment. We have had extensive discussions inside the department and within the bureau, but it is being finalised as part of the business plan process and after that we will obviously seek our minister's approval for it.

Senator MARK BISHOP—When do you think those internal departmental processes will be concluded?

Mr Potterton—Over the next month, in time for 1 July.

Senator MARK BISHOP—You would expect to have it to the minister no later than mid-June?

Mr Potterton—Mid-June is about the right time, yes.

Mr Mrdak—As I said earlier, we are currently in our business planning process, hence the indicative figure Mr Potterton has given you for the budget is what the bureau is bidding for in terms of our internal business processes. That is not yet set as his budget for the coming year. Similarly, the work program has to be developed. Once the business planning process is complete and the budget has been allocated, Mr Potter will then review his program in the light of that. But, subject to the business plan being concluded and the resource allocations being completed, that is the sort of timing we would be looking at.

Senator MARK BISHOP—You do not do this in isolation—you would be, to a degree, engaged in dialogue with the minister's office so he knows what you are thinking and vice versa, I presume.

Mr Potterton—The whole basis of the program is that it is informed by the policy priorities of the government going forward. So, yes, we are very much aware of those priorities.

Senator MARK BISHOP—Of course. I was surprised you hesitated. Can you provide me with details of the major research projects you will be doing over the forthcoming financial year? I understand that that would be subject to the caveats that you have not concluded your business program and that the minister has to sign off.

Mr Mrdak—A number of the research tasks will be continuing on work that is currently under way. We can certainly give you some details of what is currently in the research program, their status and what is involved, if that would do?

Senator MARK BISHOP—If you could do the major ones that are current and also proposed ones that you anticipate the minister will sign off on.

Mr Mrdak—With those caveats of resourcing and future decisions being made, we can certainly give you the details of what is currently under way and some of those which are expected to continue into the next financial year.

Senator MARK BISHOP—Before you do that, are you bidding for additional or totally new research projects at the moment?

Mr Mrdak—The quantum of the increase of budget that the bureau is seeking does involve some additional resourcing which is currently not available. Essentially, with our business planning process, divisions start on the basis of what they have expended in the current year as their basis for going forward. But, as Mr Potterton has indicated, they are bidding for some additional resources which have yet to be agreed.

Senator MARK BISHOP—I can ask the question 17 different ways—but I do not want to do that. Are you saying to me that you will not inform me of additional new projects planned for the next financial year as yet?

Mr Mrdak—Certainly Mr Potterton is making a bid for resourcing within our process, some of which will involve new research tasks. I cannot give you any certainty on which ones will go forward until we have completed our internal budget processes.

Senator MARK BISHOP—Okay. Can Mr Potterton give me an indicative overview of the likely projects for the next financial year?

Mr Mrdak—We can certainly do that.

Senator MARK BISHOP—That is good enough.

Mr Potterton—In terms of our completing projects—projects that are currently under way—in the transport area we are finalising a report on issues in regulatory and technical harmonisation in the rail industry and also a report on principles and practice for road user charging for congestion. We are finalising a set of projections for the major ports in terms of international shipping activity and ship visit activity. We have a project which is examining the potential for mode shift from road freight to rail freight in light of increased investment and the impact that that might have on the road system. Those are certainly some key projects in the transport area.

In the regional sphere, we are finalising reports on various indicators of regional economic performance, including finalising a taxable income project. In 2005-06, we will be undertaking a similar project on the asset base and wealth across the regions. We also have a project on the cost of remoteness across the country. Those are a number of key projects. Does that give you an idea?

Senator MARK BISHOP—It does. What about the indicative new projects?

Mr Potterton—In the transport area we are considering a project on intermodal terminals—lessons from international experience on intermodal terminals.

Senator MARK BISHOP—Is that where you would shift from road to rail and that sort of thing?

Mr Potterton—Yes, that is right. The issue of multi-user terminals and—

Mr Mrdak—That is an important part. It is one of our initiatives under AusLink. We have some work being done nationally to identify current intermodal terminals, how they are operating and what their capacity for growth is and the like. That is quite critical. Certainly in the rail industry it has been emerging as one of the critical issues for the future—not just track infrastructure but the ownership and capacity of terminals to deliver the freight task. So we are trying to get a better picture of that. What Mr Potterton is proposing is some additional research which looks more broadly to international experience in those areas as well.

Mr Potterton—A couple of further potential projects include improving urban land access to the major ports; a profile of the regional aviation industry, somewhat similar to the profile of the general aviation industry that we published last month; and in the regional area a possible project is benchmarking service delivery and social outcomes for the Indian Ocean territories.

Mr Mrdak—If I can again put on some caveats: these are projects which are emerging from the discussions Mr Potterton is having inside the department and with the minister's office. They are areas that we may explore, subject to the business plan and the like being agreed.

Senator MARK BISHOP—I understand. Can you provide figures to the committee showing the BTRE staffing levels for the past three years, including the current staff levels and the projected figures for the 2006 financial year?

Mr Mrdak—We can do that.

Senator MARK BISHOP—Thank you. I note that the BTRE conducted a transport infrastructure colloquium on 18 May. Can you elaborate on the purpose of that event, the attendance to it and its outputs?

Mr Potterton—The bureau holds colloquiums approximately annually. In 2004 we had our first regional colloquium. This was a transport colloquium. The purpose of the colloquium is to profile important current policy issues in the transport area. From the bureau's point of view, we see it as our role, firstly, to help facilitate discussion and debate and, secondly, through that process I suppose, to identify potential areas where the bureau may be able to play a role through research and analysis in the longer term. Those are the objectives. Was there a second part to your question?

Senator MARK BISHOP—What sort of people attend?

Mr Potterton—It is attended broadly by policy makers at Commonwealth, state and territory level, people from industry and members of the research and consulting community. We were certainly very pleased with the level of attendance.

Senator MARK BISHOP—How many did you have attending this year?

Mr Potterton—We had approximately 175.

Senator MARK BISHOP—Was there a fee for attendance?

Mr Potterton—There certainly was.

Senator MARK BISHOP—How much?

Mr Potterton—It was \$550 for the two days.

Senator MARK BISHOP—So you made a quid on it then.

Mr Potterton—We did not actually.

Senator MARK BISHOP—Where did you hold it?

Mr Potterton—We held it at Parliament House, in the mural hall.

Senator MARK BISHOP—Did that transport colloquium provide any information to the minister on the state of the aviation industry and the impact of liberalising access to the Pacific routes? Did it go into that?

Mr Potterton—There was certainly a very informative presentation by Ian Thomas from the Centre for Asia Pacific Aviation. That presentation is available, if you are interested in that, and will be included in the colloquium proceedings which will be on our web site in a few days time.

Senator MARK BISHOP—Earlier you outlined some major research projects that BTRE is undertaking. I think you identified four or five—not the future ones, but the current ones. When are they expected to be completed?

Mr Potterton—All of the ones I mentioned are scheduled for completion before the end of this calendar year. The international shipping one will be in the first quarter of 2005-06. The rail harmonisation one will be about that time, possibly a little later. The costs of remoteness project will be in 2006.

Senator MARK BISHOP—When in 2006—the first quarter?

Mr Potterton—No, it is a long project. That will be at least 12 months.

Senator MARK BISHOP—In terms of the first two projects, are there any preliminary findings available as yet?

Mr Potterton—Both reports are being finalised at the moment. I do not know if you have a particular question, but we do not have a generally available product at this point.

Senator MARK BISHOP—That is fine. Going back to the question I asked you about the colloquium and the state of the aviation industry and the impact of liberalising access to the Pacific routes, you advised that a major paper had been delivered and would be available in due course.

Mr Mrdak—Perhaps I should clarify that. The paper delivered at the colloquium was looking at trends and developments in the aviation industry more broadly. One aspect that it looked at was air service liberalisation, but it was a broad presentation by Mr Thomas from the Centre for Asia Pacific Aviation about trends and developments in the Australian international aviation industry.

Senator MARK BISHOP—Was he retained by the department to prepare that paper?

Mr Mrdak—He was invited by Mr Potterton and the bureau to present a paper at the colloquium, which is a gathering of researchers, as Mr Potterton has indicated. It was not a consultancy per se. He was invited, among a list of invited speakers, to present views.

Senator MARK BISHOP—Did he receive a fee for doing that?

Mr Potterton—He certainly did not receive a fee.

Mr Mrdak—We will check what travelling expenses and other things may have been met by the bureau, but we do not pay a speaker's fee as such for those events.

Senator MARK BISHOP—Is Mr Thomas an expert in this area?

Mr Mrdak—Mr Thomas is one of the analysts who works in this industry. The Centre for Asia Pacific Aviation is a highly regarded analytical unit that is often used by industry analysts. It is quoted and appears regularly in the media commenting on the state of the aviation industry. I would certainly believe the centre is highly regarded.

Senator MARK BISHOP—Did BTRE have input into the submission that Minister Anderson took to cabinet on the aviation industry?

Mr Mrdak—I am not sure what you are referring to there.

Senator MARK BISHOP—Minister Anderson took a submission to cabinet some time ago on the aviation industry as to the government's intention in future liberalisation prior to the visit of the Deputy Prime Minister of Singapore to this country back in February. Concerning that particular matter that was taken to cabinet, did the bureau have any input into the submission?

Mr Mrdak—There has been some recent media reporting of submissions going forward to cabinet by the minister in relation to the state of the aviation industry and the like. Where the minister does take matters to cabinet, the bureau does provide data, as Mr Potterton has indicated. Aviation statistics and the like and analysis done by the bureau would be drawn upon. I cannot really comment on what may or may not have been in the submission of the minister to cabinet.

Senator MARK BISHOP—I am not asking you to.

Mr Mrdak—Certainly where the department has put together material for the minister, we do draw on the bureau's av statistics and the analysis done by the bureau of trends and directions, yes.

Senator MARK BISHOP—When the minister takes forward a submission, say on the aviation industry, to cabinet, is that prepared in the department or is it prepared elsewhere?

Mr Mrdak—The department prepares draft submissions for the minister.

Senator MARK BISHOP—You would, of course, in preparing your draft submissions, draw upon any research or analysis done by the BTRE.

Mr Mrdak—That is correct.

Senator MARK BISHOP—And material like Mr Thomas delivered at the colloquium if relevant.

Mr Mrdak—It is relevant. It is amongst a whole range of material we would draw on when we do our analysis in preparing submissions for the minister's consideration.

Mr Potterton—To add to Mr Mrdak's previous answer, he said quite correctly that we do not essentially pay our speakers. The exception there was that we paid a speaking fee to our keynote speaker, Professor Tony Gomez-Ibanez from Harvard University in the United States, who was a major drawcard for the event.

Senator MARK BISHOP—That is fine. I have finished BTRE. I will come back after lunch on the ATSB.

Proceedings suspended from 12.58 pm to 2.00 pm

Australian Transport Safety Bureau

Senator MARK BISHOP—Firstly, I want to discuss briefly the finances of the bureau. What is the final project expenditure for the ATSB for 2004-05?

Mr Bills—In the projected expenditure this financial year, if we exclude attributed corporate overheads, which I know you spoke about this morning, and the \$1 million government contribution to the novice driver trial, which is this year, and revenue of about \$300,000, we expect to go close to spending our allocated budget of \$16.189 million.

Senator MARK BISHOP—Where can I find that?

Mr Bills—This year's figure is in the PBS at page 35, but that includes the corporate overheads. I am not sure the net figure is there—no, it is not in there.

Senator MARK BISHOP—It is the \$21.3 million minus the things you just mentioned.

Mr Bills—It is the \$21.3 million minus the corporate overheads. Under 1.1.2, a proportion of that is for the ATSB and a proportion of it is for the Maritime and Land Transport Division.

Senator MARK BISHOP—How much is for the ATSB?

Mr Bills—It is \$16.280 million. That is the comparable figure for 2005-06—that is, excluding those things I talked about before.

Senator MARK BISHOP—So what is that figure of \$15.2 million down the bottom?

Mr Bills—That is the combination of ATSB budgeted funding and funding for the Maritime and Land Transport Division, which you can see in the left-hand column.

Senator MARK BISHOP—Of that figure of \$15.2 million, how much is for the ATSB?

Mr Bills—The ATSB component of that, including the corporate overheads, is \$3.552 million. Of course, the previous figure is all ATSB.

Senator MARK BISHOP—So what is the budget allocation for the ATSB for the 2005-06 financial year?

Mr Bills—Excluding those items that I talked about—the corporate overheads and so forth—the budget is expected to be \$16.280 million. That is the PBS derived figure.

Senator MARK BISHOP—So the corporate overheads are how much?

Mr Bills—It is the difference, so it is \$8.466 million, which is around 30 per cent, as you heard this morning.

Senator MARK BISHOP—I am a bit confused. You have a figure there for the ATSB of \$21.3 million and then you are adding on \$3.55 million from the safety. Is that correct?

Mr Bills—The figure I gave you should have been \$2.536 million. I may have given you the previous year's figure by mistake. If so, I apologise.

Senator MARK BISHOP—Let us talk about 2005-06 first. The ATSB budget allocation for 2005-06 is \$21.3 million plus \$2.536 million.

Mr Bills—It depends whether you include or exclude the corporate overheads.

Senator MARK BISHOP—Let us do both of them.

Mr Bills—Perhaps if we do 1.1.1—\$13.844 million of that \$21.294 million is for the ATSB, so we see that ourselves.

Senator MARK BISHOP—For 2005-06 you have \$21.3 million plus, you told me, \$2.536 million.

Mr Bills—That is correct, except at the moment we are comparing oranges and lemons because the first figure includes the corporate overheads and the second one does not.

Senator MARK BISHOP—Give me the ballpark gross figures.

Mr Bills—It is \$21.3 million compared with \$3.6 million.

Senator MARK BISHOP—So \$24.9 million is the gross appropriation for the ATSB in 2005-06?

Mr Bills—Correct.

Senator MARK BISHOP—Let us take out the amounts.

Mr Bills—Under 1.1.1 the corporate overhead is about \$7.45 million, and under 1.1.2 it is near enough to \$1 million.

Senator MARK BISHOP—Does anything else have to be taken out?

Mr Bills—No, that is correct. That gives the figure of \$16.28 million, which I quoted earlier—I hope, within the rounding error.

Senator MARK BISHOP—Can we do the same thing for 2004-05?

Mr Bills—The gross figure is \$25.2 million. That includes the \$1 million this year for the novice driver program. In 1.1.1, the estimated actual is \$13.6 million. Obviously we do not know the actual yet. Corporate—again, estimated—is about \$6.7 million.

Senator MARK BISHOP—For 2004-05, 1.1.1 was \$13.6 million?

Mr Bills—That is for ATSB—or did you want the gross amount first?

Senator MARK BISHOP—I want it exactly the same way as for 2005-06—that is, \$21.3 million plus \$3.6 million—which is \$24.9 million—minus \$7.45 million, minus \$1 million—giving \$16.28 million.

Mr Bills—In that case, we start with \$20.3 million, and roughly \$4.9 million in 1.1.2.

Senator MARK BISHOP—That is \$25.2 million.

Mr Bills—Do you want the Corporate component of 1.1.1 or both?

Senator MARK BISHOP—I want them both—separately.

Mr Bills—It is \$13.6 and \$6.7 million, roughly, and then \$3.9 million and \$0.9 million, roughly.

Senator MARK BISHOP—So corporate overhead has gone down from \$20.3 million to \$8.45 million. Is that correct?

Mr Bills—In 2004-05, the corporate overhead is estimated at about \$7.7 million—that is, \$6.7 million plus \$0.9 million.

Senator MARK BISHOP—What was the \$13.6 million?

Mr Bills—The ATSB component of 1.1.1.

Senator MARK BISHOP—Let us start again. In 2005-06, 1.1.1 is \$21.3 million. What is the equivalent figure for 2004-05?

Mr Bills—It is \$20.3 million.

Senator MARK BISHOP—In 2005-06, 1.1.2 is \$3.6 million. What is the equivalent figure for 2004-05?

Mr Bills—It is \$4.9 million.

Senator MARK BISHOP—So the comparison is \$24.9 million to \$25.2 million?

Mr Bills—Correct.

Senator MARK BISHOP—How much is corporate overhead in 1.1.1?

Mr Bills—Do you want to start with 2005-06?

Senator MARK BISHOP—No, I have got that. I am doing 2004-05.

Mr Bills—It is \$6.7 million.

Senator MARK BISHOP—How much is it for 1.1.2?

Mr Bills—It is \$0.9 million.

Senator MARK BISHOP—That is \$7.6 million, giving a total spend of \$17.6 million. So there has been a marginal decrease of about \$1.3 million from 2004-05 to 2005-06. Is that correct?

Mr Bills—On the basis of those figures there is a marginal decrease, but in 2004-05 there is the \$1 million one-off item for novice drivers, which is not in 2005-06, and there is also one-off other road safety expenditure in 2004-05 that is not in 2005-06.

Senator MARK BISHOP—Is the budget for the ATSB broken down between investigations and other functions?

Mr Bills—It can be. It depends a bit on how you define ‘investigation’.

Senator MARK BISHOP—Do you have a definition?

Mr Bills—There are two options. One is to look at occurrence investigations. Occurrences are defined by us as accidents and incidents. They are of an operational nature, and those investigations in aviation, marine and rail are all done under the Transport Safety Investigation Act. In addition, we do aviation research investigations which are based on previous accidents and incidents—in other words, data that has happened in the past. They are also done under the same act, but they are not occurrence investigations. Depending on what you are looking for, I can give you either breakdown.

Senator MARK BISHOP—Can you give me both breakdowns?

Mr Bills—Which year would you like?

Senator MARK BISHOP—I would like 2005-06.

Mr Bills—Of aviation occurrences, we are looking at about \$9.4 million; rail, \$2.3 million; marine, \$1.1 million; and aviation research, about \$1 million. As I say, aviation research could be classified as an investigation or not, depending on how you wish to treat it. Those are basically the two options whether you put that research number in or out.

Senator MARK BISHOP—So that is about \$13.8 million in total?

Mr Bills—Correct.

Senator MARK BISHOP—That is for investigations in 2005-06. What is the other \$3 million spent on?

Mr Bills—The other is for road safety.

Senator MARK BISHOP—So that is about \$3 million for road safety?

Mr Bills—When you say \$3 million, it is \$3.52 million including corporate overheads or the \$2.5 million figure excluding it.

Senator MARK BISHOP—How many safety incidents would you anticipate investigating over the next financial year?

Mr Bills—We estimate that we will be investigating about 120 in total plus 10 aviation research investigations.

Senator MARK BISHOP—Are those 120 across aviation, rail and maritime?

Mr Bills—Yes, it is.

Senator MARK BISHOP—Can you give me a breakdown for each of those groupings?

Mr Bills—Yes, 100 aviation and 10 for each of rail and marine.

Senator MARK BISHOP—And a further 10 for research?

Mr Bills—Correct, in aviation.

Senator MARK BISHOP—What is the current staffing level of the ATSB?

Mr Bills—As at 30 April, the FTE number was 106.3.

Senator MARK BISHOP—How does that compare with previous years?

Mr Bills—It is significantly higher than the last couple of years. It is comparable with 2001.

Senator MARK BISHOP—Why is it significantly higher than those for the last couple of years?

Mr Bills—Because the government has given us additional funding in both the May 2003 and May 2004 budgets. In 2003 the major component of that was for a new rail investigation function, so that is a function that was not there before, and in 2004 it was to augment our aviation investigation capacity. There are other bits and pieces, but they were the big items.

Senator MARK BISHOP—Were there unanticipated increases in the number of investigations in those two areas?

Mr Bills—No. We can always do more than we do. With safety you can never do enough in one sense, so we choose from among the accidents and incidents that are reported to us the ones that have the greater safety significance, with one exception. We generally do all fatal accidents, other than those in sport aviation, even if they may not actually teach us much that is new.

Senator MARK BISHOP—Understood. Could you turn to page 35 of the PBS, where in figure 3.6 a range of measures is listed in 1.1.1 under quality and quantity, and in 1.1.2 Safety another range of measures are earmarked to both quality and quantity. Can you run through how you performed against each of these measures over the past financial year.

Mr Bills—The measures were slightly different for this year's PBS as compared with this coming financial year. Perhaps it would help if I outline how we think we might be able to measure them and basically how we think we are going—that will give you some insight into what you are looking for. The first thing I should say is that the ATSB is only one player in the safety chain. Take aviation as an example: obviously the operators, the crew, the regulator, the air traffic provider and ourselves are all integrally involved and of course there are other players. There is a range of players improving or maintaining safety, which means that it is hard for us to identify precisely what our contribution has been. That said, if we start with 1.1.1, the first dot point, we had an ICAO audit and the final report was in October last year. That was an international look at our safety investigation regime against the international standards in aviation safety and that report is on our web site.

Looking at the first quality point, basically acceptance of safety action is reported in our investigation reports—usually at the end of the report—wherever that is relevant. Sometimes in addition to people doing things as a result of the investigation to enhance safety we actually make a recommendation and people can either act or not act on that recommendation. Generally they do act and we publish the responses to our recommendations on our web site. That is how that is measured. There are a large number of recommendations made and I will not take you through them here unless you want some examples.

Completion of investigations is on average within a year. We monitor that internally on a monthly basis and across the department on a quarterly basis. At the moment, marine is a bit over a year, aviation is a bit under a year and rail is pretty close to a year. We are always trying to do better in terms of timeliness.

Senator MARK BISHOP—Which was a bit over a year?

Mr Bills—Marine, but the marine team has made some very good progress in recent months to clear up the backlog of reports. So I am hopeful that next financial year will be well within the year. We test major accident response capabilities from time to time with either a field exercise or a desktop exercise. The next one proposed is for July will be a desktop because we last did a field exercise. Quantity is basically just the number of reports we get. Most of them are from aviation because rail and marine accidents and incidents are reported to us via the regulator and they tend to be targeted at what we are likely to be interested in investigating, whereas for aviation all the reports come to us on a mandatory basis. They are

all assessed and input into our database or investigated, depending on their seriousness. We have talked about the 120 accidents and other safety occurrences that we will be investigating and it is about the same this year as well.

Then 1.1.2, as I mentioned before, involves maritime and land transport, so a lot of those indicators are theirs. One of the best ways we measure effectiveness is through our annual community attitude survey on road safety which gives us an indication of what people are thinking in the community in terms of speed, fatigue and lots of other measures. In road safety, as in aviation, there are many players, so we are part of a cooperative arrangement.

As for quality, the first two dot points relate to us; the others are for the other division. We produce the national road safety statistics—the first one—and we are involved in coordination of the National Road Safety Strategy and Action Plan. So a lot of our input is providing data or helping with coordination with the states and territories and industry having a large part of the hands-on role in road safety. The novice driver trial is a key government initiative that we are working to initiate this coming financial year. Of the quantity indicators, only the first dot point relates to the ATSB.

Senator MARK BISHOP—Who will handle the discussion on the Lockhart River accident investigation?

Mr Bills—I will start, and if I need any detailed technical assistance Mr Stray will help me.

Senator MARK BISHOP—Can you provide us with an overview of the progress of our investigation to date?

Mr Bills—Yes. It is hard to know where to start and finish in providing an overview. Maybe I should just let you know that we intend to produce a preliminary report covering verified factual information. We hope to have that in draft by the end of the month and released in early June, within the 30 days of the accident.

Senator MARK BISHOP—There was a press statement to that effect.

Mr Bills—Yes. The accident was on 7 May and so we are absolutely committed to getting a report out within 30 days.

Senator MARK BISHOP—Let us start on 7 May. What has the ATSB done since you first became aware of the accident and what are its ramifications?

Mr Bills—Obviously it is a very major accident, the fourth largest since the Second World War in terms of civilian aviation accidents in Australia. Fifteen people are dead. When we were notified of it we assembled a team and we had nine ATSB staff in Cairns on the evening of the day the accident occurred. We were obviously waiting for the emergency response to do whatever they could do to see whether there were any survivors of the accident in the initial phase. Also, as you would be aware, the accident site was very difficult in both slope and vegetation, so it was difficult to get in to the accident site. We did manage to get three investigators in on Sunday afternoon—the day after the accident—and they started some initial mapping of the accident site. They also looked for the recorders on the aircraft and were successful in finding both the cockpit voice recorder and the flight data recorder on Sunday afternoon. Those recorders were carried by hand back to our laboratories in Canberra for analysis. For the next week and until the Friday before the Friday just gone, our team

worked on site documenting what was there and collecting evidence. They were working in cooperation with others, including the coroner and the Queensland Police Service DVI teams that have responsibility for the victims.

Senator MARK BISHOP—DVI?

Mr Bills—Disaster victim identification. Our team was working with a number of other agencies. We gathered what could be gathered from the site. There was obviously a lot of damage and very severe post-impact fire which reduced what could be gathered. Obviously we have gathered quite a lot and some items—

Senator MARK BISHOP—Did the aircraft explode upon landing?

Mr Bills—There was a post-impact fire. Given there were no witnesses it is a bit hard to ascertain how quickly that started.

Mr Stray—I think it would be fair to say that the aircraft was destroyed by the impact forces and the subsequent post-impact fire.

Senator MARK BISHOP—Is it fair to assume that the fire was reasonably contemporaneous with the impact on the earth?

Mr Bills—Yes. There is no evidence to suggest that it preceded the impact and it was likely to be, as you say, very much contemporaneous with it. That was the on-site team. In addition, we had people looking at both maintenance and company records at various locations, particularly Cairns and Brisbane. In terms of regulatory records, we worked with CASA to obtain those and also radar information out of Cairns. Unfortunately, there was no radar coverage in the accident area, but there is some CTAF audio that we are also looking at, as well as the Bureau of Meteorology data for the time of the flight.

Senator MARK BISHOP—Is that a basic summary?

Mr Bills—That is essentially it. The teams left the site just over a week ago. We have taken some material back to Canberra for further analysis and we are working through the documents and analysing that material.

Senator MARK BISHOP—So you have basically concluded the site analysis. The team has left. You are now doing the detailed record checking and going through the maintenance records, company records, regulatory records and so on. When do you think that task will be concluded?

Mr Bills—It is a long process. It needs to be done methodically, given the extent of the damage. We did not talk about what was on the recorders but, as you know, there was not very much, if anything, on the cockpit voice recorder. The flight data recorder had all parameters bar one and we are doing a lot of analysis on that. The other documentation and processes, including looking at the GPS approach and so on, are going to take some time. Whatever we can verify we will release in our preliminary report.

Senator MARK BISHOP—So you would be looking to get out as much of that material which is verified when you release your preliminary report in mid-June?

Mr Bills—Hopefully before 7 June, which will be the 30 days. We will aim to have it out no later than the 6th, which is a Monday.

CHAIR—There was some voice recording, was there?

Mr Bills—Yes, there were fragments of voices. The initial analysis of the 30-minute tape indicates that none of them related to the accident flight. There are also electrical pulses throughout the tape, so it was pretty mucky. We have not totally ruled out the possibility of capturing a fragment of data relating to the accident flight, but at this stage it is unlikely.

CHAIR—You have no reason to believe that it actually was not working at the time.

Mr Bills—We have every reason to believe it was not working properly. It was not taping the accident flight as it should have been. The reasons for that we will need to do further work on.

Senator MARK BISHOP—Have you received so far full cooperation from all of the parties and those involved that you have sought to discuss matters with?

Mr Bills—Yes, we have. The operators have been fully cooperative, as have Airservices. I have already mentioned CASA. All of the Queensland authorities and the coroner have been tremendously supportive and cooperative. The only issue we have had is the one that has arisen in recent days involving a couple of former pilots.

Senator MARK BISHOP—What is the problem there?

Mr Bills—I am not sure that they have any information of relevance to the accident investigation, but we would like to be sure of that and we have wanted to speak to these people on the record but, for some reason, they want to speak off the record. I am not quite sure what that means, but if it means we cannot use whatever they say, it is not going to be very helpful. So we are encouraging them to speak to us on the record.

Senator MARK BISHOP—Do you have powers under the act or the regulations to direct interested persons to comply with your request to answer questions?

Mr Bills—Yes, we do, but at least one of the gentlemen concerned has indicated that if we use those powers he would not say anything. We are keen to do this in a calm manner. There is no absolute urgency, but the sooner the better if there is any information that could assist the investigation.

CHAIR—Would one of their fears be defamation?

Mr Bills—There should be no concern for these two former pilots on a number of fronts. Firstly, anything they tell us under section 32 of the Transport Safety Investigation Act or even less formally as a statement given to the investigation is protected as restricted information and cannot be used in civil or criminal proceedings.

CHAIR—But is it protected by privilege? If it fell out of the sky, would they be protected?

Mr Bills—Under our act what they tell us is protected.

CHAIR—While ever you have got it?

Mr Bills—That it is not called ‘privilege’ is the reason I am hesitating to say yes or no.

CHAIR—But is it only protected while it is in your protective custody?

Mr Bills—No. Any statement they give us is completely protected under section 32.

CHAIR—If they give a statement and one of your blokes leaves it in the back of a taxi and someone picks it up and uses it, is it protected? What I am thinking is that we could soon provide some protection if that is all they need. There is the issue of an accidental disclosure.

Mr Bills—We obviously do not treat this sort of information in a way that it is likely to fall in the wrong hands. The issues that these gentlemen seem to have are, firstly, they are worried that our act would not sufficiently protect anything they told us—and what I am saying is that the act is extremely strong and does protect them—and, secondly, they are concerned that if they tell us what they know then they could not tell other people and we reassured them that speaking to us does not gag them, to use the terminology that has been used in the media, from talking to others. It just means that our statement is protected. And the third issue, if it is an issue, is a concern about their names being in the public arena. Our reports do not include names of persons. So that is not an issue either. We do not know what information they do have, but if it is information of relevance to the investigation we would like them to come forward and they should feel comfortable in doing so.

CHAIR—How common is it for a cockpit voice recorder to be not working?

Mr Bills—That is a difficult one to answer because generally cockpit voice recorders are only listened to when there is an accident or a serious incident. Other than that, there is an annual maintenance check, which is fairly standard, where a technician will play some tones onto the CVR and check that they are taped and replayed. I cannot give you an answer because mostly you do not listen to these tapes.

Senator MARK BISHOP—What fields of inquiry do you wish to explore with these two men?

Mr Bills—As I say, I do not know what information they have. They have certainly indicated some issues with the company involving Papua New Guinea in terms of regulatory breaches. That may or may not have anything to do with this accident. I am not ruling out that it does not have a link. There may be some link in terms of a safety culture which can be very important. But they may have other information.

Senator MARK BISHOP—Had either of these men worked for the company that owned the plane that crashed?

Mr Bills—My understanding is that they both worked for the operator of the accident aircraft.

Senator MARK BISHOP—Had they actually flown the aircraft that was involved in the accident?

Mr Bills—It is most likely, but I do not know that information.

Senator MARK BISHOP—It is most likely but you do not know.

Mr Bills—Correct. It is possible, shall we say.

Mr Yuile—Anything is possible. We are operating off limited information as well.

Senator MARK BISHOP—Had either of the men referred any possible regulatory breaches to the ATSB prior to this accident?

Mr Bills—It is asserted that they spoke with us in July 2002. We have been able to find no record of any report to us in July 2002.

Senator MARK BISHOP—Who asserted that they had spoken to you then?

Mr Bills—They did, including in the *Courier-Mail* story that was run on Saturday. We have checked all our records and we can find no record of any such report.

Senator MARK BISHOP—Apart from making the bold assertion, did they have details of who they spoke to or which office they spoke to?

Mr Bills—The story in the *Courier-Mail* suggests that they called the CASA hotline in July 2002 and the call was transferred to us. CASA is the regulator, of course, and is a separate body, is in a separate building and has a separate telephone system, so that actually is not physically possible. It is a bit unclear as to exactly what happened, but all I can say is that we have no record in July 2002.

Senator MARK BISHOP—They may well have raised concerns with CASA that were not passed onto you.

Mr Bills—My understanding—and CASA can speak for themselves later on—is that they have been able to find no such record either.

Senator MARK BISHOP—All right.

CHAIR—As an old worn-out pilot, I am curious about all this stuff. So in 2002 they allegedly reported a problem.

Senator MARK BISHOP—They allegedly raised safety concerns in June 2002.

CHAIR—They did not get satisfaction, but they did not do anything about it.

Senator MARK BISHOP—We have not explored that. ATSB says they have no record of any contact.

Senator FERRIS—Do those hotlines have a recorder on them to take evidence?

Senator MARK BISHOP—They have no record.

CHAIR—At the same time, when they made the call, they did not get a response, but they did not do anything about it. They were waiting for the call back.

Senator MARK BISHOP—We have three conversations going here. Mr Bills, you might put on the record the nature of the allegations they have made of contacting your organisation or like organisations and the results of your attempts to confirm their allegations so that we know what we are talking about.

Mr Bills—I do not know the details other than apparently they believe they called us in July 2002 involving regulatory breaches. If the regulatory breaches related to Papua New Guinea, they should properly have been directed to the Civil Aviation Authority of Papua New Guinea. If they are regulatory breaches that involved Australia, then they should have been directed to the Civil Aviation Safety Authority. All I can say is that it is alleged that they contacted us. We can find no record of it. If they did contact us, we are the investigator and not the regulator anyway. That is 2002.

Each of these pilots did contact us in October 2004, again about regulatory breaches or alleged regulatory breaches. One of them was directed to the CASA confidential hotline number and the other one—when we said that he should be speaking to the regulator and not us, because it is a regulatory matter that he was referring to—said that he was not confident that it would get the attention that it deserved. That was his allegation, and so we offered, if he were to put the concern in writing, to formally send it to CASA—essentially as a service but to make sure there was an audit trail—and we would make sure that it was looked at.

Senator MARK BISHOP—Did he put it in writing?

Mr Bills—No, he declined to do so.

CHAIR—If he had put it in writing, would it have been a defamatory document if it had fallen into the wrong hands?

Mr Bills—I do not know.

CHAIR—If it is a serious allegation, I would not have thought I would have been waiting for someone to ring me back. I would be badgering the hell out of someone. What is the nature of a regulatory complaint?

Mr Bills—There is one extra thing to finish the story. One of the former pilots sent a copy of some issues that he had in February 2001 that they said had been sent to the Papua New Guinea Civil Aviation Authority. A copy of that was emailed to us on Friday evening and I sent it to Bruce Gemmell at CASA early on Saturday morning. If that was the type of material that is of key concern to them, that involved matters of, I guess, cutting corners in terms of safety in Papua New Guinea.

Senator MARK BISHOP—What have allegations to do with breaches of regulatory policy in PNG got to do with complaints either to you or to CASA in Australia? Is it the same airline operating in both countries or something?

Mr Bills—Yes, correct. There are a number of links. One is that Australian registered aircraft were being used in Papua New Guinea.

Senator MARK BISHOP—And that means what?

Mr Bills—That means that a VH registered aircraft—registered in Australia—is flown in Papua New Guinea.

Senator MARK BISHOP—So which regulatory regime applies to that Australian aircraft flying in New Guinea?

Mr Bills—When it is in Papua New Guinea it would be Papua New Guinea's. It could be the same aircraft that has been used in Australia at other times, so that could be a linkage. But, really, until all these things are specified by these gentlemen I am only speculating as to what information they may or may not have. In addition, Australian licensed pilots were alleged to have been involved in these issues, and so forth.

Senator MARK BISHOP—Are all these matters we are discussing—the incidents in 2001 and June 2002, the two attempted complaints in October 2004, the business in PNG, the linkages involving one company flying in the two countries—going to be the subject of investigation and report in your report to be released in June?

Mr Bills—In June, no, I would think that most unlikely, unless we had some verified information out of that material that could be put into the report. I think it is more likely to be the type of information that may be relevant to an interim report or, more likely, our final report. It may go to the safety culture, as I mentioned before, but I would not like to assume that it will or will not. The important thing is to get whatever information is available provided to us so that it can be properly considered.

Senator MARK BISHOP—Why are the pilots reluctant? They contacted the investigatory bureau, apparently on at least three occasions. They say they have matters of substance they want to pursue. You refer them on to CASA. They are reluctant to go to CASA. As you understand it, what are their concerns about going to CASA?

Mr Bills—I do not know the full nature of their concerns but, as I said earlier, they said that they were concerned that CASA would not have taken them seriously.

Senator MARK BISHOP—Why did they say that to you?

Mr Bills—I do not know. Only they could answer that.

Senator MARK BISHOP—Did you ask them?

Mr Bills—I did not ask them.

Senator MARK BISHOP—But it must be of interest to you that these men, who are more than peripherally involved in what you referred to as the fourth most significant accident in Australia post World War II, are making a series of complaints to the investigatory bureau, they properly should be going to CASA and they are reluctant to go to CASA. That must be of concern to you and to the powers that be in the department. So my question is: why have you not asked them why they are reluctant to go to CASA? It is the first question that I would ask.

Mr Bills—Their assertion was that they did not believe the information would be taken seriously by CASA. That is what they are saying—which is why we offered, when that comment was made, to formally write to CASA and send their material. That would have obviated—

Senator MARK BISHOP—Did you or your peers explore with them at all why they have that view of CASA?

Mr Bills—I do not believe so. I think it was a relatively short conversation, in one case referring them to the hotline, on another occasion—

Senator MARK BISHOP—It is a pretty major point. You are the Executive Director of the Transport Safety Bureau. Do you report to the secretary of the department in the final analysis or are you the senior officer of a stand-alone agency?

Mr Bills—In terms of investigations I have the responsibility under the act, but in terms of the administration of the Australian Transport Safety Bureau I report to the secretary.

Senator MARK BISHOP—Would it not be appropriate to report this concern (1) to CASA and (2) to the secretary of the department? And, if not, why not?

Mr Bills—These sorts of concerns have been raised for many years, so it is not new information. It is a view, held by a number of people in the aviation sector, that CASA is aware of and has been actively working for many years to improve. So it was not surprising

new information. October 2004 was months before the accident. There are lots of these sorts of reports. Some of them are credible and some are less credible. There are hundreds of them. You cannot assess the veracity of these reports ahead of something tragic happening, but it is important that they are reported to the right authority. In this case they should have been reported to the regulator and we were prepared to assist with that.

Senator MARK BISHOP—Do you have any reason to doubt the credibility of these two men?

Mr Bills—No, but I guess we are concerned that they have contacted us and we have contacted them on a number of occasions—including, I must say, before the *Courier Mail* started writing their story, so the editorial on Saturday indicating that it was incredible that we had not spoken to them before the *Courier Mail* started their story is wrong; we actually had—but they are not prepared to speak to us as part of our investigation. They repeatedly say that they will speak to us off the record, which does not really make much sense, particularly when we are talking of a tragedy of this dimension.

CHAIR—If there is a serious illegality, they would have some obligations under the Crimes Act.

Mr Bills—I think CASA is probably the better place to speak to that sort of area.

Senator MARK BISHOP—Does the complaint these men make in regard to CASA relate to the Townsville office?

Mr Bills—I think their main complaint has been that there could be some sort of blockage within CASA if they reported it.

Senator MARK BISHOP—Where did they think that blockage would be?

Mr Bills—I am not aware of where they think it would be.

Senator MARK BISHOP—Have they mentioned the Townsville office at all?

Mr Bills—I do not recall any mention of the Townsville office.

Senator MARK BISHOP—Are there CASA offices in North Queensland apart from Townsville?

Mr Bills—I think it is more appropriate to direct that question to CASA. You have me speculating about matters within CASA. All I can say is that, if these people were concerned that information would not get to the right level in CASA, we offered to send it under cover of a letter at a high level. When one of them gave us a copy of this 2001 email involving Papua New Guinea, I sent it myself to the acting CEO of CASA. As I said, Mr Stray got it late Friday night and I sent it very early on Saturday morning.

Senator MARK BISHOP—I accept your point, Mr Bills, about not speculating on CASA's activity. My questions go to the conversations and discussions you or your officers have had directly with the men. That is a proper field of endeavour for me. That is why I am asking you: have they communicated to you in any way that their reluctance to deal with CASA relates to the office in Townsville or elsewhere in North Queensland?

Mr Bills—There may well be an issue with the lower levels of CASA; I am not sure where. As I said, we have offered to assist in the way I have outlined.

Senator MARK BISHOP—What have these men said are the issues at the lower levels of CASA?

Mr Bills—Until they speak to us on the record and speak to us openly and freely I would really be speculating, which I do not think is helpful. All I can say is that in a lot of major accident investigations the role of the regulator, as well as that of the operator, the crew and all the other factors that could contribute, is looked at in the investigation. If there is any issue with regulation in Townsville, Cairns, Brisbane, Canberra or wherever else it may be, we will look at it, but we rely on people who have information coming forward with it and giving it to us.

CHAIR—Did they indicate to you why they were reluctant to come forward?

Mr Bills—They have maintained they want to be off the record.

CHAIR—Did they say why? Were they frightened of losing their jobs?

Mr Bills—I think there was a concern—

CHAIR—What is their problem?

Mr Bills—There was an issue originally about not wanting to be gagged, which is the point I made a few minutes ago. We told them that, while anything they tell us is protected, that does not stop them talking to CASA, police, the media or whoever it may be. So that is not an issue.

Senator MARK BISHOP—Who would gag them?

Mr Yuile—It is extraordinarily difficult for us to comment.

CHAIR—I appreciate that. It makes it damn hard if they are not going to put it on the record.

Mr Yuile—Particularly since it does not take Mr Bills to tell them who the CEO of CASA is or the head of the state office if there is a problem.

CHAIR—But they have not come to you and said, ‘Look, we don’t want to go on the record because’?

Mr Bills—No, other than this gagging issue—and I hope we have reassured them with our legislation. Mr Stray certainly sent them the relevant extracts, which were hopefully going to reassure them that anything they told us would be protected but that telling us would not gag them. I am not sure what else we can offer.

CHAIR—So what they were on about was regulatory, you say?

Mr Bills—Correct.

CHAIR—So could that be issues like home maintenance?

Mr Bills—I do not know what the particular issues are. The only thing I have seen any detailed evidence of was in this material involving Papua New Guinea dating back to February 2001 which, as I said, we have passed on to CASA. But there may well be other issues or there may not, but if they will not speak to us I can only speculate.

Senator MARK BISHOP—Mr Bills, are inquiries taking place into both Transair Australia and Aero-Tropics Air Services?

Mr Bills—Both the aircraft operator and the ticket seller will be involved in the investigation, yes.

Senator MARK BISHOP—What exactly is the commercial arrangement between Transair and Aero-Tropics?

Mr Bills—We will certainly be looking at the exact arrangement, but it is probably more an issue for CASA at this point. We will look at it as part of our investigation, but my understanding is that it was a regular public transport scheduled service operated by Transair, that the tickets were sold by Aero-Tropics and that the two companies had a relationship. But we will need to find out the precise details of that for our report. I cannot give you those details.

Senator MARK BISHOP—Are there interlocking financial arrangements, joint shareholdings or something of that nature?

Mr Bills—I have not gone into that yet. My investigators will certainly look at that, but we have not done it yet.

Senator MARK BISHOP—You put out a press release on 12 May saying that you plan to publish a preliminary factual investigation report by June, and I think your evidence is that you are on track with that. That is still your current intent?

Mr Bills—That is correct.

Senator MARK BISHOP—Is the absence of data from the cockpit voice recorder impeding your investigation?

Mr Bills—As I said earlier, we have not totally ruled out getting some fragments of data from it, but it appears unlikely. The fact that there isn't cockpit voice recorder information is very unfortunate. If we had had it, it could have been extremely helpful.

Senator MARK BISHOP—Why would the material not be on the recording? Was it not working?

Mr Bills—That is correct. The machine appears not to have been working properly or, as Mr Stray has just said, the data coming onto the machine was not being fed properly. But to me, as a layman, that all relates. It seems that the machine was not working properly.

Senator MARK BISHOP—Are there regulations in existence requiring either the pilot or the owner of the machine to ensure that the recording devices operate every time the plane takes off?

Mr Bills—Just going back, the difference is between whether it was taping properly and whether the data was actually getting from the cockpit to the recorder. In terms of the maintenance regime, my understanding is that there is an annual check-up by a technician. Again, that is something that would probably be better directed to CASA. If it is something that could be done better in the future, that may be something we will look at as part of the investigation.

Senator MARK BISHOP—Can you confirm that CASA recently audited Transair but found no problems?

Mr Bills—We will certainly be looking at the audit record for Transair, but I think your question would be better directed to CASA.

Senator MARK BISHOP—There was a report in the *Australian* on Monday, 9 May by the journalist Steve Creedy. It says:

The Civil Aviation Safety Authority had also recently audited Transair but had found no substantial problems.

Were you aware of that?

Mr Bills—I am aware of that report and, as I said earlier, we have asked for all the CASA material on the operator that could be related to the accident. But I think it would be better for CASA to comment on that report.

Senator MARK BISHOP—I think this is a question that you as the investigatory bureau can comment on: would you expect a check of the cockpit recorder to be part of a CASA safety audit?

Mr Bills—Again, I think it is probably better for CASA to comment.

Senator MARK BISHOP—This is an important point. I understand that CASA has the responsibility of doing the audit—I understand that that is their job—but you are an investigatory agency. If a problem occurs, you look at it to find out what caused it—what the complaint is—and how it can be remedied in the future, and you may recommendations. Whether others accept your recommendations or not is another matter, but that is your job as an investigatory agency. You have knowledge of these problems and you would properly have views on them. The data-recording devices are critical to knowing why accidents occur and how they can be prevented in the future. So, as a senior investigatory officer, you would have a view on an audit by CASA, whether or not it looked at the data recording devices?

Mr Bills—The reason for my hesitation is that I am aware that over recent years CASA has moved to an audit approach that is based on looking at systems—in particular, safety systems—and away from the ‘tick and flick’ approach of looking at particular items. But, of course, there is still audit work done on specific items, particularly if there is reason for concern in that area. Based on a risk based approach and a systems audit approach, I cannot comment on whether I could expect the recorders to be part of that systems based audit. I think it is best for you to address that question to CASA. I was not evading the broader issue. These recorders are very important.

Senator MARK BISHOP—These recorders are the most critical prima facie evidence to be looked at by investigators in accidents involving fatalities, are they not?

Mr Bills—I would not go that far. I think that both recorders can be extremely helpful in accident investigations. That is particularly the case where there are no witnesses and where there is a large amount of damage to the aircraft. But there can be other sources of information.

Senator MARK BISHOP—There can be. But these devices can contain verbatim comments from the last two or three minutes in which the pilot or pilots might have been

alive prior to the crash and the fatalities occurring. These are experienced and trained pilots, and they would be saying all sorts of things, trying to communicate on the radio and speaking to their colleagues about the problem. That evidence would not just be important but be critical; otherwise, why have the damned things?

Mr Bills—It can be critical. As we said when we released our media statement on the recorders, it was very disappointing and it really was a blow to the investigation not to have that cockpit voice data. So I think we are in heated agreement.

CHAIR—So the recording device was intact?

Mr Bills—Correct.

CHAIR—It had a previous flight's data on it?

Mr Bills—Not that of a previous flight. There were fragments of conversation.

CHAIR—What does that mean? Is it a disk or a tape or something digitised that we are talking about?

Mr Bills—I have not listened to it, but what I am told is that there were electrical pulses throughout the tape, so there was distortion—you could not hear anything. In between those pulses there were fragments of conversation that covered previous flights going back some time, we can identify.

Senator FERRIS—When you have been investigating these sorts of incidents in the past, how often has it happened that you have found that a black box recorder does not in fact reveal the information about the flight that you are looking at? How often has it happened in the past in Australia? Indeed, how often has it happened internationally? I have heard of these recorders being retrieved from the bottom of oceans and from the wreckage of the World Trade Centre. How often does it happen that one of these recorders is inoperative?

Mr Bills—The good news is that there have been no high-capacity aircraft accidents since the sixties, which is when we go back to larger fatality numbers than these. Of course, there has not been a requirement to look at black boxes in terms of high-capacity fatal flights. Most of the fatalities in Australia have involved aircraft in which there have not been cockpit voice recorders carried, which means there are not a lot of examples to look at as to whether they worked or not. The chairman's question earlier about how many times the recorders may or may not be working is very hard to answer because we interrogate them only when something bad happens.

Senator FERRIS—What about internationally?

Mr Bills—I cannot give you the percentage that do not operate internationally, but certainly it is an issue. In a number of accidents these recorders do not work or, despite all the crash protection that is built into them, may be destroyed or in a state such that they cannot be used.

CHAIR—Generally do they record half an hour or two hours or 10 hours in bulk?

Mr Bills—It depends on the type of recorder.

CHAIR—What type of recorder was in this plane?

Mr Bills—It was a 30-minute recorder. I cannot tell you the make and model.

CHAIR—Given you say that there was a previous flight on it, it must have been a bloody short flight or were there previous flights?

Mr Bills—There were fragments.

CHAIR—Which indicated that it had not been working for a while?

Mr Bills—Correct. But why it was not working we do not know yet.

CHAIR—As part of a preflight check, you just cannot push a button and it will tell you whether it is working or not, by doing testing and not playing back to you?

Mr Stray—There is a test that can be done. Depending on the unit and the installation, there is a test that can be done on a lot of aircraft. You can put a microphone into a jack on the side of the unit and in the cockpit you can press ‘Test’ and then see a needle go across to say, yes, that is sending a signal. That is not to say that that is necessarily recording over a long term. It just says that at that keying it is working. What we have here, as Mr Bills explained, are fragments of previous flights on this 30-minute tape recording.

CHAIR—‘Previous flights’ worries me, because that means it has not been working for a good while.

Mr Stray—It has not been working continuously and appropriately.

CHAIR—For many flights?

Mr Stray—Yes. This is a concern to our investigation people. It is subject to ongoing investigation.

Senator McLUCAS—How long ago were those flights that had been recorded?

Mr Stray—We have not yet determined that. This is really painstaking, detailed work. As I said in the media, these guys—the people that analyse these things—are probably the most patient people in the world and they are poring over this data. It is going to take a long time not only listening to that but also trying to link that to other material that we may have in documentation from trip records of previous flights.

Senator BUCKLAND—In relation to the black boxes not working or spasmodically working, there were reports that the aircraft itself or the remains of it would not be removed from the crash site. Is that correct?

Mr Bills—On the preface to the question, the flight data recorder was working and we have extracted most of the parameters of data from that. It is the cockpit voice recorder that is the problem. In answer to your question about removal of wreckage from the site, that is correct, we have not removed the wreckage from the site in toto. That is normal practice. We have taken from the site the pieces of evidence that we believe are relevant for the investigation. We have also consulted with others, including the coroner, as to whether there is any wreckage that they need. We were told there is not, so on that basis we left the site. What remains of the wreckage is still there.

Senator BUCKLAND—So there will be no attempt at reconstruction to try and find the fatal link?

Mr Bills—There will be, but not in terms of putting the aircraft back together again.

Senator BUCKLAND—I understand that. I mean to take back to the workshop to put components together.

Mr Bills—It is largely reduced to ash and molten metal. But we have used a laser mapping tool to basically map the pieces of evidence that were identifiable and also the location of the evidence so, based on that tool, we can actually reconstruct a 3-D image of what there is.

Senator BUCKLAND—In answer to a question earlier from Senator Heffernan, I think, you indicated that there was one component of the black box that was not working, that you could not retrieve. Is that right, or did I misunderstand?

Mr Bills—In terms of the flight data recorder, yes, there was one parameter that we could not get. We will just check which one that was. But we are hoping to be able to use the parameters that were available to interpolate, essentially, what we are missing.

Senator BUCKLAND—So an educated guess is really what it would have to be, wouldn't it?

Mr Bills—It may be that if there are enough parameters available we can reconstruct the one that is missing. It depends what you means by 'guess'—it is hopefully a bit more scientific than that.

CHAIR—Is the recording box, as opposed to the transmitting side of this operation, still capable of receiving a signal and recording it—or is it damaged to the point where it will not?

Mr Bills—The CVR box was pretty much intact. The flight data recorder box had a large burn hole in it—mercifully, it was at the end that the data was not in. In terms of the exact capability of the CVR to record information—

CHAIR—So if you were able to confirm that the box was still capable of receiving you would know it was up at the transmitting end of the information not the receiving end.

Mr Bills—That is correct. All that is certainly being looked at.

Senator MARK BISHOP—Is the absence of the data from the cockpit voice recorder significantly affecting your investigation—is it impeding it?

Mr Bills—As I say, if we had the data we would have a rich source of information that we do not have. We have other sources of data, but we are never going to have that data. So it is definitely an impediment, but we will do the best we can with what we have.

Senator MARK BISHOP—Was any data able to be recovered from the plane's global positioning system?

Mr Bills—We have not been able to recover the GPS unit, or even identify it, but we have recovered some electronic circuit boards. We do not know if they are from the GPS unit or not, but we are going to see if there is any data on those that can assist us.

Senator MARK BISHOP—Do we presume it has been destroyed?

Mr Bills—Yes.

Senator MARK BISHOP—Media reports suggest that the aircraft in question was weeks away from being fitted with a terrain warning system. Is that correct? Do you have any knowledge of that?

Mr Bills—In terms of the regulatory timetable, CASA is best to speak to it, but my understanding is that the aircraft was fitted with an older style ground proximity warning system unit, not one of the newer style enhanced ground proximity warning system units—so GPWS, not EGPWS. It was the EGPWS units that, under regulation, were required to be fitted by the end of June. I am sure Mr Gemmell and his team will be able to speak to you about that.

Senator MARK BISHOP—If the correct device had been fitted, would that have prevented the crash?

Mr Bills—We cannot say that at this stage. The older style GPWS is not as capable of alerting terrain in front of the aircraft as below. EGPWS is certainly an advance in terms of terrain warning, but whether fitment of that unit would have prevented the accident it is far too early to say.

Senator MARK BISHOP—When all the evidence is in, would that be part of your report?

Mr Bills—Yes.

Senator MARK BISHOP—Do you know how many Metroliners there are in Australia?

Mr Bills—Again, it is CASA that is the keeper of the record, but my understanding is that there are 60. I am sure Mr Gemmell will correct me if I am wrong.

Senator MARK BISHOP—Do you know how many of these have broadly been fitted with the advanced terrain warning system?

Mr Bills—No. Again, that is a question for CASA.

Senator MARK BISHOP—How long does it take to install the system? Do you know that?

Mr Bills—No. Again, I think you are best asking CASA about that. I know there have been some issues with installation timetables and I am sure they will be able to tell you about that.

Senator MARK BISHOP—It is just that it is so close to the 30 June deadline that you would think most of the work would have been done by now.

Mr Bills—Yes. I am sure CASA will give you an update. I know a little bit about it but I think it is best if they speak to their own business.

Senator MARK BISHOP—I have concluded my questions on this accident investigation.

Mr Bills—I might just confirm, regarding Senator Buckland's question earlier, that it was pitch that was the parameter that was missing.

Senator McLUCAS—Can you tell us when the safety bureau was notified of the accident?

Mr Bills—I think we heard it on the media first and we confirmed it with AusSAR around 2.30 on the afternoon of the accident. As I said, we were able to get our team of nine on aircraft by around five o'clock and up to Cairns.

Mr Yuile—Just to clarify: I think AusSAR were aware that the aircraft had not landed, that there was an absence. I am not sure when exactly they found out that the aircraft had crashed. It was some time later, I think.

Mr Bills—Absolutely. The aircraft was scheduled to arrive at Lockhart River at 11.40, but the wreckage was not discovered until—it is my understanding—4.30 in the afternoon. So the notification we are talking about was before the accident was confirmed.

Senator McLUCAS—Can you explain—maybe this question would be better going to Airservices Australia or CASA—what has to happen when there has been an accident. What is required under the legislation? When are you to be advised and by whom?

Mr Bills—There are a range of people who are to report to us under the Transport Safety Investigation Act and regulations. That includes the operator and crew. Obviously if the crew are deceased they cannot. In cases like this, where an aircraft is missing and there is a search and rescue phase, AusSAR usually advises us but quite often the media find out first because they hear things on radio, over the telephone or whatever. I do not pretend to know the contacts they have, but sometimes they are first. So we find out through the media.

Mr Yuile—If you wanted to ask about the sequencing, my suggestion is that you keep your question for AMSA because the search and rescue centre is part of the operations of AMSA. I know that they follow a sequence of phone calls and contacts, but of course they do not want to set hares running—excuse the terminology—until they find out. There are steps that they take and ATSB is of course one of those steps for contact.

Senator McLUCAS—Given that the crash occurred at around 11.40, were you surprised that you found out through the media at about 2.30? That seems an extraordinarily long time.

Mr Bills—It is longer than usual, but the important thing when an aircraft goes missing is to look for survivors. Our investigation role is important, but what is really important is to focus on the search and rescue. I think that that appropriately was dominating their thinking in the early phase.

Senator McLUCAS—You said earlier that you are going to look at maintenance records and company records of both Aero-Tropics and Transair. You also talked about how you verify information. Can you explain for the committee how that process occurs?

Mr Bills—We will look at any maintenance logs that are available—records at the maintainer as well as in the company—and do a comparison. We will look at any records that we can find that are potentially useful. It is a process initially of looking at as much as we can and then narrowing it down to things that appear to be potentially related to the accident. So there is usually a large volume of information to wade through initially. Mr Stray is saying that all that information has been gathered and is in Canberra. We are going through it in detail.

Senator McLUCAS—You might be aware of some commentary in the North Queensland media about the history of this particular plane. Do you, as part of your investigation, look at and assess those allegations that have been made?

Mr Bills—We have certainly had a look at our own database in terms of previous incidents, but I think Mr Stray would like to address that in more general terms.

Mr Stray—I think I can help you there, Senator. There was one issue reported in the media. I must say that it was a little bit mischievous of the journalist who was trying to do a beat-up. It was totally unrelated; it was an airspace matter. The second report related to the aircraft, on takeoff at Cairns, not achieving the scheduled takeoff power setting. That basically means that the pilot works out that, for a given weight, wind and temperature on the day, the engine should be able to deliver a certain amount of power. So if during the takeoff they do not achieve that power the appropriate thing is to abandon the takeoff and either go and do some engine run-up checks to see if they can achieve it or take it back to the maintenance shop and get it looked at. The company did exactly that. The pilots abandoned the takeoff, took it to the maintenance shed and got the engines looked at. An hour and a half later it was sent on its way. The aircraft had done, I think, something like 60 hours since then totally uneventfully. That is a standard operating procedure for any airline or any aviation company anywhere in the world. Whilst we are looking at all of those aspects and all of the maintenance that has been carried out on the aircraft, that does not at this stage appear to be related.

Senator McLUCAS—You would be aware of some commentary about similar events happening at Bamaga and that there are locals at Bamaga who allege that on a number of occasions this particular plane has had to return to the hangar. Are you aware of that and, more importantly, how would you investigate those sorts of comments?

Mr Stray—All of those aspects are being looked at as part of checking the trip records and comparing them with records of any maintenance done on the aircraft. As Mr Bills said, that is a huge task. We have a mountain of paperwork and currently, as we speak, we have a number of people going through it.

Senator McLUCAS—You are looking at the record, so if there has been an event that the plane has logged in that record, you can track it from that point.

Mr Stray—Yes.

Senator McLUCAS—I am asking, if allegations have been made in the community, how do you assess whether those allegations fit with what is in the record?

Mr Stray—What we have planned is that within the next week to 10 days we will have investigators going to Bamaga to talk to people in the community. We will gather that sort of evidence and then we will be able to look at what maintenance was done and what defects were noted by crews and then compare all of those things.

CHAIR—When it did not achieve full power, should that have been an incident report, and was it?

Mr Stray—Yes, it was reported and it went through the proper channels. There was no sense of it not being reported.

Mr Bills—The issue is that, if something happened and there was not a report to us and there was not something in the log, how we would pick it up. The only way we can do that is if the people who believe something of that nature has occurred come forward and tell us.

Senator McLUCAS—When you go to Bamaga, how do you intend to invite people to make that sort of comment to you?

Mr Bills—The logistics have not been worked through yet, but our intention is to speak to some community leaders to try to make sure we do that in the most appropriate manner.

CHAIR—Could I go back to the phone call which, according to the *Courier-Mail*, you got in 2002. Did they leave a number? They say they had not had a call back, but did they leave a number so that you could call them back?

Mr Bills—We had no record of that.

CHAIR—I think it says in the paper that they are still waiting for the call back. Do you know who they are, these pilots?

Mr Bills—We have spoken to the pilots.

CHAIR—They have identified themselves—name, rank and serial numbers—so you know they exist and their proper names.

Mr Bills—In recent days they have—

CHAIR—But back in 2002.

Mr Bills—In recent days they have asserted that they called us back in 2002, but we checked all our records and can find no evidence of it. The *Courier-Mail* story says that one of these pilots called the CASA hotline and was transferred to us. As I say, that is not physically possible.

CHAIR—And also in 2001?

Mr Bills—2001 was an email sent to the Papua New Guinea CAA.

CHAIR—And there is a record of that.

Mr Bills—They sent that to us through Mr Stray late Friday night.

CHAIR—So if you really wanted to, you could find a phone record?

Mr Bills—We know who these gentlemen are.

CHAIR—But if they wanted to prove they made the call, they could produce the phone record, could they not?

Mr Bills—Possibly.

Senator McLUCAS—The report that will come down in the first week of June is an interim report. Is there a timetable for a final report?

Mr Bills—The June report will be a preliminary factual, so it will be very abbreviated and it will be the facts that are verified at that time. Typically it will have a list of key areas of investigation that we will be looking at but that may not be complete because as things progress we may find other areas that are relevant. In terms of the final report, we do not have a time scale, but very major investigations like this where there is very large damage to the aircraft typically take 12 months or so. We will take as long as is necessary to do it properly and every six months after the report in June, we will put out an interim factual report which updates where things are at and if something really major comes to light, then we will consider putting out something special in between.

Senator O'BRIEN—Are officers from other Commonwealth or state agencies involved in the ATSB investigation?

Mr Bills—In the sense that we liaise and work with them and get information from them, yes. For example, we will definitely speak to Airservices about the radar out of Cairns and the GPS approach into—

Senator O'BRIEN—They will be information providers rather than part of the investigation team—is that what you are telling us?

Mr Bills—That is right. We do not have anyone on our investigation team at this stage from another agency. The NTSB in the US have appointed an accredited representative, but they are not coming out to Australia. We will liaise with them because of it being a US manufactured aircraft. Obviously CASA are working closely with us, but at this stage they are not on our team as such. We will work with others like the Bureau of Met, ADF, AusSAR and so forth. The coroner's investigation is probably the only other investigation that is ongoing. We are working very well with the Queensland state coroner. My understanding is that there has been great cooperation on both sides.

Senator O'BRIEN—How old was the Fairchild Metroliner III that crashed?

Mr Bills—I do have that information. December 1992 and the serial number, I am told, is DC-818B.

Senator O'BRIEN—So it was a relatively young Metroliner?

Mr Bills—That is correct.

Senator O'BRIEN—And it had an AOC enabling it to conduct regular public transport flights?

Mr Bills—We have taken the AOC off the CASA website. Yes, there is an AOC under Transair, but going into the detail of all of that and the relationship with Aero-Tropics, as I said earlier, is something that we have yet to fully explore.

Senator O'BRIEN—In a related sense, how many aeroplane accidents has the ATSB investigated over the past 12 months?

Mr Yuile—Initiated and ongoing are two different things.

Senator O'BRIEN—I am interested in initiated.

Mr Bills—There are about 97 on our books. In terms of initiated, it is a similar number, and that is not all accidents. That is accidents, serious incidents and incidents. In terms of actual crashes since 1 July 2004—I have not got the exact data from May last year—of what has been reported to us, we have 144 accidents in Australian territory to civil registered aircraft. Of those 144, 20 were sport aviation. I am sure there will be other sport aviation accidents that were not reported to us and did not need to be.

Senator O'BRIEN—How many were charter flights and how many were regular public transport?

Mr Bills—Of those, 108 accidents were general aviation, 14 were charter and there were two low-capacity regular public transport, including the accident that we have been talking about.

Senator O'BRIEN—Did you say low capacity?

Mr Bills—That is correct.

Senator O'BRIEN—Can you give us details on loss of life by aviation category?

Mr Bills—In general aviation, excluding sport aviation, there were 11 fatal accidents and 19 fatalities. The charter accidents were all non-fatal and one of the two RPT accidents was fatal, which of course was Lockhart River with 15 fatalities.

Senator O'BRIEN—Is there any correlation between the age of an aircraft and the statistical probability of failure of engine or airframe over time?

Mr Bills—That is a very difficult one. We would have to do some research on that. In general, if aircraft are properly maintained, depending on the aircraft type they can fly for a long time, and that may involve replacing almost the entire aircraft so that there is not much left of what was there originally. It depends—there are other types of aircraft where that sort of maintenance is typically built into schedules and should happen, and if it is done it should be able to fly successfully for a long time. At some point it becomes not cost-effective to keep doing those types of improvements.

Senator O'BRIEN—So the maintenance task increases with age?

Mr Bills—Exactly, so in relating the probability of crashing to age there is the issue of whether it is more maintenance related than age related. Then there is the fact that most accidents are related to human factors of one kind or another rather than the airframe or engine. Having said all of that, I cannot answer your question. It is an interesting one and perhaps we can do some research on it, but it would not be a question on notice with a quick answer. We would have to spend a bit of time looking at that and we would need to liaise with CASA because of their role with ageing aircraft. I think we would also want to look at international data rather than just Australian data.

Senator O'BRIEN—Of the 124 non-sport aviation accidents, is it possible to give us a breakdown of the age of the aircraft involved?

Mr Bills—Yes; I cannot do that now, though.

Senator O'BRIEN—I am not expecting you to have it in your back pocket, but we would appreciate having that.

Mr Bills—CASA should have that detail and we can link with them and produce it.

CHAIR—Is that engine and airframe?

Senator O'BRIEN—That is the age of aircraft.

CHAIR—You would want engine and airframe hours.

Mr Stray—Depending on the engine type, the engines are subject to major overhaul at various—

CHAIR—That is right, and there is the number of hours since a last major overhaul.

Mr Stray—Since the last major overhaul—that is what—

CHAIR—Then there would be the total as well.

Mr Stray—So how many overhauls and how many lives—

CHAIR—Yes, elapsed engine and airframe hours, and hours left to run. I do not need to tell you the business. There are various levels of inspection of engines before their last major overhaul.

Mr Bills—The only caveat may be that, of those 124, we have not investigated all of them. For the ones we have not investigated we may not have that data and may not readily be able to get it, but we will do our best.

Senator O'BRIEN—Will you be able to include the location of the accidents?

Mr Bills—Certainly by state or territory—that is in our database.

Senator McLUCAS—But not areas smaller than that?

Mr Bills—Again, exactly what is in our database may depend on whether we have investigated it.

Senator O'BRIEN—Perhaps you can tell us how many of those were in the top half of Queensland.

Mr Bills—Yes, will do.

CHAIR—Did this particular airline contract out its maintenance or conduct it itself?

Mr Bills—It was contracted.

Mr Stray—I believe it was contracted to a large company.

Senator MARK BISHOP—We will now turn to the inquiry into national road safety. Firstly, I refer to the report of the House of Representatives Standing Committee on Transport and Regional Services. Could you advise what action has been taken against each of the recommendations made by the committee.

Mr Bills—The committee report included 38 recommendations and there were two reports released by that committee in June last year. We, the ATSB, have coordinated a draft response for government consideration against all of them. That has involved liaison with the states and territories, with other federal departments and internally within our own department. Basically, the position is that the government is considering the response prior to tabling.

Senator MARK BISHOP—When do we think the government will come down with a final position on the recommendations?

Mr Bills—I cannot say. All I can say is that we have coordinated the process. There were a couple of hiccups posed by the election and Christmas, but a draft is being considered by government.

Senator MARK BISHOP—When did the government receive that draft?

Mr Bills—It depends how you define 'government', and I do not really want to go into specifics of where the report is at the moment.

Senator MARK BISHOP—When did the report come down?

Mr Bills—It came down in June 2004.

Senator MARK BISHOP—The reason I ask is that there are standing orders saying that the government has to respond in writing within a certain period to both Senate and House reports, and the time for responding is well past.

Senator Ian Campbell—Is this a House of Representatives report?

Senator MARK BISHOP—Yes. It is well past the time to respond.

Senator Ian Campbell—That is the minister's responsibility, not the officer's.

Senator MARK BISHOP—That is right. It is a government response. The government has not responded, but the officer is advising that for some significant period of time a set of recommendations has been with the minister in his office.

Mr Bills—No, I did not say that. I said we had coordinated the response that was being considered by government and I did not think it would be appropriate to go into the detail of where the response is.

Senator MARK BISHOP—Let us pin this down. You have coordinated a response across government, across agencies and across the states.

Mr Bills—Yes.

Senator MARK BISHOP—Your coordinated response has gone somewhere. Where has it gone?

Mr Bills—It has gone to government.

Senator MARK BISHOP—And who in government has that?

Mr Bills—That is the area that—

Senator MARK BISHOP—Who does it go to?

Senator Ian Campbell—These government responses actually end up being ticked off by cabinet.

Senator MARK BISHOP—Sorry?

Senator Ian Campbell—These government responses generally get ticked off by the cabinet, so it has gone to the whole of—

Senator MARK BISHOP—So has it gone to the office of the Minister for Transport and Regional Services? Which agency takes it to cabinet for the final tick-off?

Senator Ian Campbell—Cabinet process is that it would go to the relevant minister, and if that is not the cabinet minister it would go to the cabinet minister and then I guess the cabinet secretariat have to seek a date on which it can go to cabinet.

Senator MARK BISHOP—Who is the relevant cabinet minister?

Senator Ian Campbell—The cabinet minister would be John Anderson. It may well be, if the new arrangements were as they were when I was there—and they may have changed—that it is the Minister for Local Government, Territories and Roads. No, it probably is John Anderson.

Senator MARK BISHOP—Mr Bills, in this case is it the minister for transport or the minister for roads et cetera?

Mr Bills—The Minister for Transport and Regional Services has taken carriage of it. As I said, I am trying to avoid talking about whether or not it is being released without a cabinet process because it is not appropriate for me to do so.

Senator Ian Campbell—I took a very close interest in that issue and keep a close interest in it, and my recollection is that some of the recommendations had implications for all three levels of government. At the time I was in there, I think there were a range of state and local government issues of planning and transport infrastructure, so I would not be surprised if the minister was consulting with other levels of government.

Senator MARK BISHOP—When did you vacate the field, Minister?

Senator Ian Campbell—Less than a year ago.

Senator MARK BISHOP—The report came down in June 2004?

Mr Bills—Correct.

Senator Ian Campbell—That was only about a month before I left.

Senator MARK BISHOP—So it would have gone to you at first instance. Anyway, when was the coordinated response concluded by the relevant committee?

Mr Bills—By the committee?

Senator MARK BISHOP—The committee came down with a set of 38 recommendations. They were considered by government.

Mr Bills—They are being considered by government.

Senator MARK BISHOP—They are being considered by government?

Mr Bills—Correct.

Senator MARK BISHOP—But, prior to them being considered by Minister Anderson's office, when was the prior consideration concluded? What Minister Campbell just said is that some of the recommendations that came forward needed further work—that is essentially what he said.

Senator Ian Campbell—My recollection of that report is nearly a year old, but I have taken a close interest in the issue of illumination of trains because a friend of a friend lost their children at the accident in Western Australia which I think was the catalyst for the inquiry getting set up. When the report came down I recall probably reading it fairly closely, and I suspect I would have read briefs on it at the time because we would have had a question time brief in case someone got up and asked a question about it. I think the issue at the heart of it is how do you try to reduce the risk of accidents at level crossings. The proponents of the illumination of trains would say that various forms of illumination may reduce the risk. I think that is the heart of the matter. My understanding is that in Western Australia, for example, the state minister Alannah MacTiernan, whom I have discussed the issue with at length, is opposed to it, or not convinced—I am not sure; I do not want to verbal her.

Senator MARK BISHOP—And I do not know.

Senator Ian Campbell—No, I honestly do not know. The jury is out. I am sure the federal government is grappling with this at a whole-of-government level. I know that the minister himself has a very close interest, because his heart is in the rural part of Australia. To make a long story as short as I can, because obviously I am boring you, if you want to do things at level crossings you all of a sudden have to deal with federal issues to some extent; state issues, because they regulate trains; sometimes Main Roads, if they cross main roads, and quite often local roads; and also issues like who prunes the vegetation around level crossings. So it is not a simple issue. But, in relation to preparing a response, I would say that the government would have had to correspond and consult with a number of other agencies outside the federal government.

Senator MARK BISHOP—I do not take exception to any of that. It is a major report. There was a lot of interest in it at the time and there continues to be interest. There are 38 recommendations. A lot of people are interested in it. I am simply trying to find out where it is at.

Senator Ian Campbell—Fair enough. I think it is fair to say that it is somewhere in the ministerial wing. I am happy to follow up and find out how far away it is.

Senator MARK BISHOP—Does the government response necessarily have to go to cabinet?

Senator Ian Campbell—I do not think they all have to. Quite often that will depend on how many other departments it might take into account. It may not need to.

Senator MARK BISHOP—Minister, can you some time this week tell us where it is at, whether it will go to cabinet and, if so, when?

Senator Ian Campbell—Yes—and roughly how long do we expect a response to be. That is totally fair.

Senator MARK BISHOP—I am told \$1 million is expected to be spent this year on the trial for the national driver education scheme. Is that actually going to be spent in 2004-05 or is that going to go into next year?

Mr Bills—We expect it to be expended this year, because the mechanism is likely to be a grant paid to VicRoads, and it will go from there to both the Victorian and the New South Wales trials.

Senator MARK BISHOP—By 30 June 2005?

Mr Bills—Correct.

Senator MARK BISHOP—There has been a delay—in fact this was topical back in October—in getting this project off the ground since it was announced late last year by the Deputy Prime Minister. The money is going to be spent in the 2004-05 year. The trial will be done in the 2005-06 year. What has been the cause of the delay?

Mr Bills—There are a number of strands to an answer. Firstly, everyone is concerned about improving the safety record of novice drivers, particularly in the first six to 12 months after they get their P-plates. That is the issue everyone is trying to address. The problem is that courses around the world have not had a good record in reducing the fatality and crash rate

more generally of that part of the driver population. There have been some promising aspects to courses, particularly in Scandinavia. Essentially we have been trying to harness the best practice, both Australian and international, to design a curriculum that has the best possible chance of reducing the fatality and crash record of that driver segment. That is taking quite a lot of time. In addition to designing the course, we have to be sure that there is an improvement, or possibly not—everyone is hoping that there will be a significant improvement in the fatality and crash rate. It is a process. I think this is the biggest trial of this nature ever undertaken in the world. It is of tremendous importance for Australia—obviously it is a priority of government—and internationally.

Senator MARK BISHOP—Has the design of the course content now been completed?

Mr Bills—In broad terms yes. In terms of the detailed design of the curriculum no, and we are hoping that that will occur in the next couple of months.

Senator MARK BISHOP—Is that being done within the department or outside?

Mr Bills—We are just getting the final comments from the experts we had working with us in April to do the thinking on what is best practice which was finetuning the material discussed at the forum held at Parliament House in December led by Minister Anderson. Once we get their final comments on the components of the curriculum, we are going to professional curriculum designers to fill in the detail. Then we will need to pilot that with some of the young people of the type who will do the full trial to make sure that we have it right before it is rolled out in New South Wales and Victoria.

Senator MARK BISHOP—So we are going to finish the curriculum design and we are going to do a pilot. When do you think the curriculum design will be done—by the end of August?

Mr Bills—Certainly by then, yes.

Senator MARK BISHOP—Then we will do a pilot in both states?

Mr Bills—Not necessarily, but possibly.

Senator MARK BISHOP—Has that been decided yet?

Mr Bills—No.

Senator MARK BISHOP—What does a pilot involve? Have we designed that yet?

Mr Bills—Not in absolute detail because until you have the curriculum you cannot do the pilot. So all of these things are interlinked, but basically we try to make sure that it works. We want to take some young people through the draft course. It works in the sense that they understand the materials, that there are no obvious flaws in what is being delivered and anything that needs to be is finetuned before it is rolled out.

Senator MARK BISHOP—Now that you have sent off the experts to do the final curriculum design, that means that they have guidelines and parameters of what they have to put in black and white.

Mr Bills—We are about to do that as soon as we get the final comments from our experts.

Senator MARK BISHOP—When do you think you will get your final comments from your experts?

Mr Bills—I hope to get them this week.

Senator MARK BISHOP—So it is pretty well ready to be sent off.

Mr Bills—Yes.

Senator MARK BISHOP—Is the focus going to be on advanced skills training or is it going to be about tackling everyday on-road driver experience and young driver attitude?

Mr Bills—That is partly a definitional issue as to what is an advanced skill.

Senator MARK BISHOP—That is a fair point. Let me ask the question a different way. Is the design of the curriculum going to concentrate on everyday on-road experience and young driver attitude or is it going to concentrate on other matters?

Mr Bills—I think the former. The real thrust—and Mr Anderson has announced publicly and supported it many times because he is passionate about this—is to design a course that works. That is what really matters. What we believe has the best chance of working is a course that gives these young novice drivers greater insight into their own driving capabilities. That means knowing that, just because you have your licence when you drive out of the test centre, you still have not as much experience as other drivers on the road—you may have trouble picking gaps in traffic, judging distances and so forth. These are skill factors which relate to everyday driving, which is why I found it difficult to answer your question.

Senator MARK BISHOP—That sounds to me like you are designing a curriculum around tackling everyday on-road experience and young driver attitude.

Mr Bills—I am happy to assent to that.

Senator MARK BISHOP—You are trying to teach young drivers to be aware of the potential for harm, how to drive safely, how to judge the proper distance between cars, to take caution when overtaking and approaching speed bumps, and that sort of thing.

Mr Bills—And to give them insight into their own limitations in particular.

Senator MARK BISHOP—Yes. Because they are 17 and they have a drivers licence does not mean they are not God.

Mr Bills—Mr Motha may want to add to that list, because it is quite a list.

Mr Motha—In addition to the skills that Mr Bills mentioned, there are things like self-awareness, self-monitoring and self-management. This course really targets the higher-order cognitive and perceptual skills. As I said, part of that is self-management, self-monitoring and self-awareness skills but, in addition to that, there are also the on-road things you mentioned such as hazard perception, gap selection, management of speed and so forth. So we are talking about a wide range of skills.

Senator MARK BISHOP—All the things you have just mentioned, both the skills and the attitude, are the things we would expect young drivers to become familiar with over time, aren't they?

Mr Motha—Yes.

Mr Bills—We are trying to accelerate that process so that they do not have to learn while they are engaging in higher risk behaviour than they might otherwise be able to do if they had greater insight.

Senator MARK BISHOP—Will this pilot program be about implementing the things Mr Motha has just outlined?

Mr Bills—Yes. I cannot specify exactly what is in the curriculum because it has not all been specified yet, but it is likely to include an instrument which people fill out on a computer with simulations, videos, questions and so forth. That will spit out a report on the person who is doing the test and compare the results with much more experienced drivers. So someone who may have thought they were pretty good—they have just got their P-licence and think they are fantastic—could do this and realise that they are not as good as they think they are. That is one aspect. Another aspect will be discussing with their peers in a structured way some of the terrible statistics of this age group when compared with other drivers and the near misses and crashes that people have. It will also include an on-road component.

Senator MARK BISHOP—When are you going to do the evaluation of the pilot?

Mr Bills—It will be done simultaneously with this program. It is not going to be a formal evaluation in the same way that the trial will be evaluated to see if it is statistically significant in terms of being rolled out across Australia.

Senator MARK BISHOP—It strikes me that everything we have been discussing for the last 20 minutes about driver attitude and performance is exactly what my 17-year-old daughter is currently undergoing at a training school in Nedlands in Western Australia. All of her peers are going through the same thing. So how is it any different from that?

Senator Ian Campbell—The training that has occurred in the past has been entirely inadequate. The training is to get your licence.

Senator MARK BISHOP—But all the things that Mr Bills and Mr Motha have been discussing are what my daughter and all her mates are being taught by the driving school.

Mr Bills—That may be an exception.

Senator Ian Campbell—History will show that most people leave those driving schools and go out and destroy themselves and other people's lives at an incredibly high statistical level. The car industry of Australia, the Minister for Transport and Regional Services and a couple of other ministers thought that if the Commonwealth could help create a new program based on the very best international research for these educational frameworks to try to instil in younger drivers the sort of experience that we gather through trial and error—and we were lucky to have survived—then it would be to the benefit of that generation when they get out onto the road. The trouble is that, generally, training courses around Australia—and there are some exceptions—simply do not impart the detail that Mr Bills and Mr Motha have described to the committee.

Senator MARK BISHOP—Is it the government's intention to mandate those sorts of things in the future, by regulation?

Mr Bills—This is a cooperative trial involving the partners that the minister just outlined—the FCAI from the motor industry, the RTA for the New South Wales government, VicRoads

and the TAC in Victoria, the RACV and the Insurance Australia Group—working to make this happen and hopefully make a real difference. If the results show that a real difference is made by the curriculum that is being trialled, then we, and I know the minister, would hope that every state and territory in Australia would pick it up and mandate it—if it is going to make a real difference to survival and crash rates on the roads.

Senator MARK BISHOP—But earlier you said that there was not going to be any separate evaluation done of the success of the pilot; there was just going to be an evaluation done as the pilot itself was conducted.

Mr Bills—I think we were at cross-purposes. The pilot was just the short testing with very few people—the ‘face credibility’, if you like, of the curriculum before the full trial of the 14,000 is undertaken. In terms of the trial of 14,000 young drivers split between New South Wales and Victoria, there will be a very rigorous evaluation. That will be a very expensive and data-rich exercise.

Senator MARK BISHOP—Who is going to pay for that?

Mr Bills—It is being paid for by the partners contributing to this trial. It is an integral part of the trial.

Senator MARK BISHOP—I am not talking about the pilot trial but the actual trial of the 14,000 in those two states. Has it been paid for already?

Mr Bills—It is being paid for by the Australian government, the government of Victoria, the government of New South Wales, FCAI, Insurance Australia Group—

Senator MARK BISHOP—How much is that going to cost?

Mr Bills—The announcement in December was for \$5 million. That is the initial amount.

Senator MARK BISHOP—How much did the Commonwealth ante up?

Mr Bills—The Commonwealth has put in an initial \$1 million. That was the announced amount.

Senator MARK BISHOP—Of the \$5 million?

Mr Bills—Correct.

Senator MARK BISHOP—Where is the other \$4 million coming from?

Mr Bills—The FCAI is paying \$1 million; the IAG, half a million dollars; the RACV, \$100,000; the New South Wales government, through the RTA, \$1.1 million; and Victoria, through VicRoads and the TAC, is contributing the remainder.

Senator Ian Campbell—I recall offering this to a range of other state governments when I was pushing it and I think Victoria was the only government who really grabbed it, and obviously the New South Wales government came on board after that. I put it to the WA government, but I think they decided not to proceed with it.

Senator MARK BISHOP—So is the \$5 million the total cost of work to date, the pilot, the evaluation and then the full-scale 14,000-person trial?

Mr Bills—That was the first estimate in December last year of the trial and the commitments to be made up front by those funding partners. Obviously as we firm up on the details, we will have to look at the detail of the funding.

Senator HUTCHINS—So the trial of 14,000 is of what age group?

Mr Bills—There is a difference between Victoria and New South Wales in getting Ps. So in Victoria the trial is for 18-year-olds to 22-year-olds and in New South Wales it is for 17-year-olds to 21-year-olds. We are trying to capture people and encourage them to do the course when they get their P licences, but the actual program would start 60 to 90 days after they got their Ps.

Senator HUTCHINS—So they would get their provisional licence and then they would participate in this program?

Mr Bills—Yes.

Senator HUTCHINS—Is it the intention that this program be mandatory for people to get their Ps? I am a New South Welshman. Like Senator Bishop, my son has just got his Ps and I know what he had to go through. I think it involved 20 or 25 hours of being with a licensed driver, a variety of tests and having to go to a driving school. I am not sure what the provisions are in other states. Are they similar?

Mr Bills—During the L-phase it is often 50 to 100 hours of supervised driving that is encouraged and monitored through the use of logbooks. The more that you get, the better the road safety outcomes in essence. There is a trade-off between trying to encourage more and the delay that that imposes on the young person involved who is keen to get a P-licence. Basically in road safety, experience is almost everything. Is there a way of getting experience fast?

Senator HUTCHINS—Is it one of the intentions to have this driving course compulsory before you can get your Ps? Are you to be in the learning phase, so you have to get a tick off to get your licence? Is that the aim of the pilot?

Mr Bills—No, it is really a post-P piece of training. Separately, all the states and territories are working on enriching the L-phase to try and get as much experience into that before people get their Ps. That is happening all around Australia. But after people get their Ps there is a separate issue and it is particularly related to crash rates and fatality rates in the first 12 months. In fact, in the first six months they are particularly steep. There is a real dilemma in that ideally what you do is capture these people as soon as they get their Ps and try and do something to stop that at that point. But at that stage people have had no solo driving experience and there is a trade-off between getting enough, so that you can talk about it and give them more insight—going beyond what they do in the Ls—and delaying so long that the peak of the crash rate has already passed. In this case we are looking at 60 to 90 days post-P. But, as you were saying, the L-stuff, or the supervised driving and logbooks, is terribly important and it is a separate safety matter that is being handled by the states and territories.

Senator HUTCHINS—In future the scheme might be for people moving from their Ps to their black licence.

Mr Bills—Exactly, or there might be a gradation in the Ps. It will really depend on the states and territories.

Proceedings suspended from 4.03 pm to 4.17 pm

Senator MARK BISHOP—Mr Bills, have there been any safety issues drawn to your attention with imported second-hand cars that have undergone compliance with Australian standards after their arrival in Australia?

Mr Bills—I think that is a question for the Vehicle Safety Standards Branch within the department. Peter Robertson could probably assist you best with that later on.

Senator MARK BISHOP—Is Mr Robertson about?

Mr Bills—He is not here yet, because he is part of the Maritime and Land Transport Division

Senator MARK BISHOP—That is No. 9.

Mr Bills—That is right.

Senator MARK BISHOP—So safety conditions of imported cars goes in Maritime and Land Transport?

Mr Bills—In particular, Peter Robertson will be able to assist you.

Senator MARK BISHOP—We might turn now to the Office of Transport Security.

[4.20 pm]

Office of Transport Security

Senator O'BRIEN—Earlier this year I asked Mr Anderson a question on notice about the theft of checked baggage at Launceston airport belonging to a Ms Sarah Murfett. It was question on notice No. 367. The minister advised me that the Office of Transport Security initiated and undertook an investigation. Ms Murfett's bag went missing on 12 November 2004. The Office of Transport Security did not investigate the matter until 3 February 2005, almost three months later. When did the Office of Transport Security become aware that Ms Murfett's bag had been stolen?

Mr Tongue—I will just have to go back and take that on notice to check when we were advised. My notes here refer to 12 November. She reported the matter to Virgin Blue and they were unable to locate her bag prior to return to Launceston on 14 November. She has been compensated by Virgin Blue and Tasmanian police are investigating the theft. That is my information.

Senator O'BRIEN—Given that it was almost three months later that the Office of Transport Security investigated, how did the Office of Transport Security become aware of the theft of the baggage?

Mr Tongue—I think we were advised by Virgin Blue but, if you like, during proceedings I will get onto the Victorian office and get them to come back with the details of the case.

Senator O'BRIEN—They will let you know so you can tell us why the investigation was so delayed?

Mr Tongue—Yes, certainly.

Senator O'BRIEN—What prompted the Office of Transport Security to eventually have a look at this issue?

Mr Tongue—Whenever incidents are reported to us—and it is a vast system—we make a judgment about whether it is telling us about vulnerabilities that might exist in the system. We like to follow up in cases such as this. It is often the case, though, that our investigations may overlap, say, with a police investigation and our investigatory powers are not as extensive as police powers, so sometimes we may pull back and wait for the outcome of the police investigation. But we certainly try to follow up in most instances.

Senator O'BRIEN—Mr Anderson tells me that you interviewed Virgin Blue staff at Launceston airport and Virgin Blue security in Brisbane. Why didn't anyone talk to Ms Murfett?

Mr Tongue—Typically, because our responsibility relates to the protective security of the aviation system, the performance of the regulated entities, in an instance like that our first course would be to go to the parties that we regulate rather than to members of the public. In that instance we would speak to staff at the airport and, because Virgin security is located in Brisbane, we would go to them and get their take on events. When the police are investigating we may not approach a member of the public until such time as a police investigation has concluded.

Senator O'BRIEN—But in answer to my question about this incident Mr Anderson said:

As the matter has been handled as a theft by Virgin, there is no ongoing role for the Office of Transport Security in determining the method of the loss.

Does that mean that the Office of Transport Security has outsourced its security assessments to the airlines? Shouldn't you make your own assessment?

Mr Tongue—No. Our role in regulating protective security in the aviation industry goes to the settings in the industry that are principally around weapons and explosives—the things that can affect the operation of the passengers or the aircraft. When we look at an issue like that, we are less concerned, if you like, with the fact of the theft than whether the theft can tell us about something that goes to protective security settings.

Senator O'BRIEN—Mr Anderson also says:

... it has been determined that it is a police matter as the incident involved an alleged theft of passenger baggage and that there is no evidence to suggest that aviation security was compromised. It is considered that this theft does not constitute an act of unlawful interference with aviation at Launceston airport.

Clearly that means that the office knows more about the matter than Ms Murfett, who simply checked her bag in for her flight never to see it again. So what happened?

Mr Tongue—I will get in contact with our Victorian office to get more detail on that than has been provided in the question on notice. Normally, in the course of those investigations, as I say, we would speak to staff on the ground about whether there was anything unusual in the passenger bags that day, was there something that might go to protective security settings

and we would talk to Virgin Brisbane and make a judgment. But, certainly, we are not the people who follow up every lost bag in the system.

Senator O'BRIEN—How, on any reckoning, can the interference with a passenger's checked baggage in a secure area not be considered a matter of aviation security?

Mr Tongue—It depends whether there is evidence to suggest that the interference has occurred in a secure area or whether it is outside the secure area. Our focus is on the protective security settings that go to weapons and explosives going onto aircraft. It can be the case that events, general criminality, at airports may have an impact on the protective security operation of the airport, but in many instances it may not.

Senator O'BRIEN—Clearly what you are suggesting is that the Office of Transport Security believed that the interference with this luggage occurred not in a secure area but in an area accessible to the public, because if it occurred in an area not accessible to the public it means that someone possibly had access to luggage after it was checked. If they could take luggage or take something from it, then they can put something in luggage or put luggage there. That is true, isn't it?

Mr Tongue—However luggage might be interfered with, it is still principally a crime—an act of criminality. If it is theft, it is theft. In most instances, theft will be investigated by the police, whether it happens outside the secure area or inside the secure area. Our focus in looking at thefts that occur inside the secure area is whether it tells us something about the protective security settings at the particular facility. But theft is theft wherever it occurs at an airport.

Senator O'BRIEN—Does it not follow that if the luggage had reached a secure area prior to being loaded on a plane and somebody—an unidentified person—had access to that luggage then the potential is that someone had access to other luggage as well? If they did, does it not raise the possibility of someone putting something in luggage as well as taking luggage away? It seems self-evident to me that if you can get at the luggage—if you can take a piece of luggage away—you can put something there as well.

Mr Tongue—In roughly 60 to 70 million pieces of luggage that move through the aviation system across the 180 airports, there are times when bags may go missing, when perhaps—and we are yet to see the police investigation and get the evidence—bags may be stolen. They could be stolen by members of the general public. They could be inadvertently taken by them. They may be going round on baggage belts and simply fall off. There is a whole range of things that could happen to baggage both airside and landside in the system.

Senator O'BRIEN—This luggage was checked in and did not make it to Melbourne. The contents of the luggage appeared somewhere else in the city of Launceston. So it appears that someone had access to the luggage in Launceston. You are not sure whether you can be satisfied that that access was achieved in a secure area or in a public area?

Mr Tongue—Until the Tasmanian police have completed their investigation we have got to rely a little bit on their investigative powers that exceed ours.

Senator O'BRIEN—If a theft occurred, where it occurred is critically important from a security point of view, isn't it? If someone can get in and steal something from a bag, or a bag, in a secure area then the security of that area is compromised, isn't it?

Mr Tongue—In terms of what we are concerned about, which is weapons and bombs getting on planes, any events that occur inside the secure area are important to us. I do not think it necessarily means the secure area may be fundamentally compromised, but it is certainly something that we would look at. In an instance of straight-out theft we rely on police investigations to sort out what it tells us about what is happening in the secure area.

Senator O'BRIEN—My concern is that you apparently do not know at this stage whether the luggage was taken from a secure area or not.

Mr Tongue—Until a police investigation is concluded, we cannot make it up, if you like. We have to wait until we have the final evidence before we start taking significant regulatory action.

Senator O'BRIEN—It is distinctly possible, probably likely, that you will not know—because no-one noticed the theft, obviously, or you would know that now.

Mr Tongue—It is possible that we may not know—yes, that is right.

Senator O'BRIEN—So presumably you have looked at the system of security at Launceston.

Mr Tongue—That is right. It is one of the airports that we regulate.

Senator O'BRIEN—You will also be aware that I asked Mr Anderson a question on notice about how many items of checked baggage are stolen or subject to unlawful tampering at Australian airports each year. Mr Anderson, it appears, and presumably the Office of Transport Security do not know. Is that right?

Mr Tongue—It is not a statistic that has been collected hitherto.

Senator O'BRIEN—Geoff Dixon from Qantas says his airline gets 35 complaints a month about alleged tampering with baggage. That is more than one a day. Has the office thought of asking the airlines?

Mr Tongue—In the range of security issues that we face and in a system that moves tens of millions of bags, whilst lost baggage is inconvenient for passengers it is reflective in part of the scale of the system rather than a fundamental flaw that we could find a regulatory fix for. Yes, it is an issue of concern that there are around 35 a month. But, for an airline moving millions of bags, it is not surprising to us that some might go missing.

Senator O'BRIEN—It is not surprising that luggage after it is checked in is tampered with—is that what you are saying?

Mr Tongue—No. It is not surprising that luggage might go missing, that people might turn up at an airport and pick up the wrong bag.

Senator O'BRIEN—Mr Dixon's comments referred to luggage that had been tampered with or complaints that luggage had been tampered with. Surely that indicates that after the baggage has been checked someone has access to the contents of luggage after check-in.

Mr Tongue—I think there is a difference between a complaint being made by somebody and actual tampering with a bag.

Senator O'BRIEN—If you do not investigate you will never know, will you?

Mr Tongue—If we investigated 35 bags a month we would not have any staff left to do anything else. The primary responsibility lies with the airline to secure the bag. We regulate them in their performance. They rely on state police and others, if they think it is a crime. We can chase bags or we can use the resources to chase other things.

Senator O'BRIEN—That is an interesting construct, but the fact of the matter is that if there is that level of alleged tampering, or any, it means something is happening once the luggage has been checked into a secure area, doesn't it? Isn't it a fundamental issue for aviation security that there is potentially some improper access to baggage after it reaches the secure area?

Mr Tongue—I am not sure I would go that far. Our experience in dealing with the airlines is that from time to time passengers get confused about what has happened to their bags. From time to time, passengers want to take the airline for a bath and get compensation. From time to time, passengers steal from other passengers. So if you like there is a level of assertion that is made. If an assertion has been made that something has been stolen, we rely on the proper authorities—the police—to investigate that assertion and on the basis of that evidence, we can then take action. If we start running around—

Senator O'BRIEN—Are you really saying this in light of the evidence of the baggage handler who was seen on the tarmac with something out of a piece of luggage? Ultimately that baggage handler was sacked. Are you suggesting that we should discount the public's claims of tampering with luggage and dismiss it as some activity designed to defraud the airlines?

Mr Tongue—No, Senator, I am not.

Senator O'BRIEN—So we should take some of that seriously, should we?

Mr Tongue—No, Senator.

Senator O'BRIEN—We should not?

Mr Tongue—What I am saying is that I think it is a case of needing to look at these things with a sense of balance and that everything reported in the media may not be as it first appears. Yes, there are some proven instances where baggage handlers have tampered with bags. Is that a show stopper in terms of what we are interested in, which is weapons and bombs, getting onto aircraft? It is an issue, but it is not an absolute show stopper compared with all the other things that we need to be concerned about at airports.

Senator O'BRIEN—So until you find a weapon or a bomb in luggage, you are not concerned that there has been a breach of the security systems why might have put it there?

Mr Tongue—No, I am not saying that.

Senator O'BRIEN—Is that not the fundamental question?

Mr Tongue—No. The fundamental question for us is, if we were to set out to try to create a security environment that tried to guarantee that no bag would ever go missing in a system,

we have to move to a set of security settings that few countries in the world have yet employed and that is to do with an airside screening regime that is very expensive, very disruptive to the current operation of airports and, from a regulatory perspective, a huge task across the nation. We are currently and have been working with our overseas partners, the International Civil Aviation Organisation and others to look at how we would build that environment, but airports are complex places. There are 50,000 people working at Sydney airport. There are 3,000 vehicles moving around airside. To try to achieve the sort of environment that would reduce that 35 number is not an easy task. It is a huge exercise which we have been engaged in with the airlines for a while and will need to come back to government on.

Senator O'BRIEN—I thought Qantas were responding to public concerns about baggage tampering in the recent discussion about the smuggling of cocaine. They talked about placing surveillance cameras in their baggage hall.

Mr Tongue—Yes.

Senator O'BRIEN—That would have been within the realm of your organisation to look at in dealing with the luggage tampering. You create a bit of a straw man when you talk about luggage going missing because often you do not know how that has happened. Where there is luggage tampering—and there is clear evidence that there is luggage tampering—that occurs within the secure area, generally speaking. That area falls, I would have thought, fairly and squarely within the realm of the Office of Transport Security.

Mr Tongue—Regarding the sorts of measures that have been talked about—covert surveillance, for example—we have agreed arrangements with the airlines about overt surveillance. Covert surveillance is currently under federal law; it requires a warrant. The debate that has been running in the media has been about whether the test for covert surveillance would be lower than you might expect a test to be to get a warrant. It would require a change in policy settings both at a federal level and at a state level in order to get that power. That covert-style surveillance with a warrant is a matter for the Attorney-General's Department. We are certainly talking to the aviation industry about how far we can go under our existing legislation to do with overt surveillance. There are workplace surveillance and other acts that provide some protections for staff and other things. It is not as straight up and down as saying, 'We want to stick a covert camera in the hold of an aircraft.' We have to work through the protections that people who work in those environments have.

Senator O'BRIEN—That might be to investigate particular incidents. What I am suggesting is that there appears to be evidence of tampering with luggage. I am trying to establish whether that creates a potential policy framework issue for the Office of Transport Security.

Mr Tongue—It certainly creates a policy framework issue for us in that the remedies in this area are a significant advance on where the policy setting has been in the post-September 11 environment, where benchmark countries have been, with the possible exception of the United Kingdom. It is a complex issue that we have to work through with airports and airlines because it does mean a vastly increased inspection regime of people working airside. To date, our key measures have been overt CCTV and extended background checking. But that

background checking is based around the question—if I can characterise it as such—is there something in a person’s background that we need to worry about with regard to terrorism? There is a different question, which is: do we trust this person across all dimensions? That is much more like a national security check. That is more like the sorts of checks that people like us would go through. At a policy level, what we are working through at the moment is how we create a regime that meets public expectations but at the same time can be implemented and afforded.

Senator O’BRIEN—The earlier part of my questioning went to the point that, if there is tampering, that is evidence of the potential for placement of material in luggage that is loaded onto a plane. That seems to me to raise a very fundamental aviation safety issue. You might talk about who is in a position to do that, and that goes to your security checks and how you might determine who that person is. I am focusing on the environment itself and wondering, given this evidence and the answers that I have—which tell me that you have no information on unlawful tampering—why you have not sought that information, given what seems to be fairly general public knowledge about tampering, Geoff Dixon’s comment about allegations of tampering and why that has not been a matter for the Office of Transport Security in the past.

Mr Tongue—The fix for the problem partly involves us and it partly involves the police. If it is to do with drugs, it involves the Customs Service and the Federal Police. Certainly, we are working through policy solutions. To date, though, given the wide range of issues that we have to deal with in aviation security—and I am sure we will come to those through the questions—our focus has been on implementing other security measures related to weapons and bombs and baggage in particular.

Senator O’BRIEN—I understand that that is a fundamental aviation safety issue, but the means of placing them there is fundamental to that.

Mr Tongue—There are a lot of staff other than baggage handlers that work airside. I suppose you might characterise baggage handlers as being a bit unfairly targeted in the public debate about who can do what airside.

Senator O’BRIEN—I did not say that they were the ones interfering with baggage. It might be that they are the most likely, but I did not say that they are the ones that are interfering. The fact that you raised that raises the issue of who else had access. I do not know.

Mr Tongue—There is a range of services that are provided around aircraft. From our perspective I suppose the public attention has been on the bag, but there is a whole range of vehicles—catering vehicles, refuelling vehicles, emergency vehicles, mechanics vehicles—that go into the equation. Part of our policy conundrum, I suppose, is that there is no point fixing just the baggage-handling bit without addressing all the flow-on effects and all the other interests that exist airside that could interfere with the aircraft. To date, we have relied on the background checking, monitoring by the Australian Federal Police Protective Service, overt surveillance, surveillance by airport security staff and so on. To take it to the next level is a quantum leap.

Senator O’BRIEN—You make it sound as though the current environment is not satisfactory.

Mr Tongue—I know there is a deal of public concern. We tune the current security environment to the threat information that we get from intelligence agencies. Aviation is at about the same level as the rest of Australia—at about medium. There are some peculiarities around aviation. To be really honest with you, one of the things that we are concerned about in Transport is that if we pitch the aviation security framework too high above the system and we do not move our other areas in maritime and we do not work with the states on surface transport then all we are doing is just moving a potential problem. Aviation security is, in critical infrastructure protection, a stronger framework than you would find in many other areas—and that goes to the psychology of terrorism, and that is why we rely on threat assessments. So to date the judgment—not just our judgment but that of the Secretaries Committee on National Security—has been that we have had the settings in broadly the right place.

To be honest with you, if we take these next steps, if there was a change in threat level we would not have many places left to go other than saying: ‘Let’s just shut the system down.’ If we put these final measures in, there is not much policy room for us if the threat environment tightens up. So if we, say, went to ‘high’ in aviation we would already have the system operating—we would not have anywhere to go.

Senator O’BRIEN—So we cannot deal with baggage tampering?

Mr Tongue—No, I am not saying that. We have to deal with baggage tampering, but it is not as easy as some of the commentary would suggest. For example, yes, you can wrap bags in plastic. I think the Americans have found with bag wrapping to prevent drugs getting into America from, say, South America where there is bag-wrapping technology that that technology can be defeated by organised gangs. It is a bit like shipping containers: we can invest a lot in seals and all sorts of things but people who are criminally minded can defeat the seals. The issue for us then is: do we need to toughen further the background-checking regime at airports? If we toughen the background-checking regime at airports in the current environment how many people might be driven out of the industry? We already have a fairly low threshold for our tests of criminality. We would be left with the question: where are we going to get the work force? Everything is interlinked and they are not easy policy answers, but we are working with the industry and other Australian government agencies to sort through it.

Senator O’BRIEN—Mr Anderson told me in answer to question No. 368:

Since 31 December 2004, 100 percent of international Checked Baggage departing Australia is subject to screening.

Is that right?

Mr Tongue—Yes, that is correct.

Senator O’BRIEN—Every bag?

Mr Tongue—The test that we have set is 100 per cent for all international departures, but the method may vary. Again, what we are chasing is explosives principally. The aviation industry has complied with that requirement. However, the method that they have used to comply varies between airports.

Senator O'BRIEN—So it does not mean X-ray screening in every case?

Mr Tongue—Not in all cases. Some airports have the full integrated checked bag screening system. Others have a combination of integrated checked bag screening systems, explosive trace detection and detector dogs. There is a range of things that we allow. Its principal focus is explosives.

Senator O'BRIEN—When you say 'checked bag screening' I presume that means the screening is done after the bag is checked in.

Mr Tongue—Yes. In some locations, for reasons of space, it might be done as a person is checking in. There might be some assessment as a person is checking in.

Senator O'BRIEN—Does this 100 per cent guarantee include international flights from Christmas Island?

Mr Tongue—I am not sure. I would have to take that on notice.

Senator O'BRIEN—The minister says:

There is also a domestic Checked Baggage Screening (CBS) capacity in place at major Australian airports ...

Is it possible to know which airports?

Mr Tongue—The requirement associated with international checked bag screening included also a requirement for a capacity to do domestic bags. That requirement has subsequently been expanded by the government at a number of major airports.

Senator O'BRIEN—Could you give us a percentage of domestic checked baggage that is currently subject to screening?

Mr Tongue—I would have to take that on notice.

Senator O'BRIEN—Mr Anderson says there will be '100 per cent domestic CBS at major Australian airports by 2007'. Are you able to identify those airports?

Mr Tongue—Yes, I can. Would you like me to do that publicly or could we provide that privately.

Senator O'BRIEN—Perhaps, because we cannot go off the record in these proceedings, we will leave that question for the moment. If I need to pursue it in a public forum, I will do it. Is there any way that we can test the milestones of the improved capacity between now and 2007?

Mr Tongue—One of the technologies that is available to us is a technology called threat image projection. As bags move through a system, images may be superimposed on them so that those screening staff observing the bags may see an image pop up that apparently should look to them like it is suspicious. That is one of the technologies we use to test the performance of the systems. It is a technology that is available to us.

Senator O'BRIEN—That is going to be implemented, I take it.

Mr Tongue—Yes.

Senator O'BRIEN—What role has this office played in examining allegations of smuggling using airline baggage handling systems during the Corby trial?

Mr Tongue—We have no engagement with issues of criminality. We are the protective security regulator. Those are issues for the police.

Senator O'BRIEN—Did this office investigate the camel suit incident that I discussed earlier?

Mr Tongue—Not to date, no.

Senator O'BRIEN—Has this office investigated the alleged involvement of baggage handlers in cocaine smuggling?

Mr Tongue—Again, that is an issue of criminality and is the responsibility of the police.

Senator O'BRIEN—But all of those incidents, potentially, indicate interference with checked baggage—the concern I have raised.

Mr Tongue—They may and I go back to my previous answers. If the police investigation throws up something that points to a fundamental vulnerability, then we take that up in the policy process. The resolution of suspicious activities is one cornerstone of security practice.

Senator O'BRIEN—So if you knew there were allegations about the Qantas baggage hall in Sydney, this office would not go down and have a look.

Mr Tongue—If allegations of criminal behaviour were made, that would be a matter for the police to investigate. If the police investigation subsequently threw up evidence that pointed to a security vulnerability then that may be something we take up with an airline or an airport in terms of its security program. It may point to a wider policy issue that we need to take up, but if it involves criminality, we rely on the police.

Senator O'BRIEN—Even though the spin-off of that criminal activity might be a flaw in the general security system of the secure area.

Mr Tongue—I would not say 'even though'; I would say that we are relying on those people whose expertise is criminal investigation to get to a body of evidence. If that body of evidence is tested in a court and found to be correct, we would respond along with the airline and the airport.

Senator O'BRIEN—That could take years if you wait until it goes to court. Some of these things do take years.

Mr Tongue—Yes, but our powers are circumscribed by our act and limited as to how far we can go in conducting independent investigations. We have to rely on our other Australian government partners.

Senator O'BRIEN—I do not recall you telling this committee when the legislation went through that there are serious deficiencies with it.

Mr Tongue—No, I do not think that—

Senator O'BRIEN—So you are not saying that there are?

Mr Tongue—No, I am just saying that we have a particular role to play at airports, along with Customs, Immigration, quarantine, the Federal Police, ASIO and a whole range of state government agencies. We do not have plenipotentiary powers over all other players. We have to work with them.

Senator O'BRIEN—So we should understand that ultimately, after these matters have been to court and determined, the Office of Transport Security will look at them to see whether they involved transport security issues that require a new policy framework?

Mr Tongue—If you are talking about the peculiarities of individual cases, clearly we are relying on investigations by the police. If a pattern of events occurs, we may work with the aviation industry around that pattern of events to test our settings against the policy framework and move the policy framework. So I draw a distinction between a pattern of events and the investigation around an individual event.

Senator O'BRIEN—I would have called the Geoff Dixon suggestion that they are getting more than one allegation of tampering—not theft—of passenger baggage per day, the Corby case, the camel suit incident and the baggage handlers involved in assisting cocaine smuggling a pattern of events. Wouldn't you?

Mr Tongue—It is a set of events that has attracted extraordinary public attention. It is a series of events that are under investigation by the police. It is a series of events that has prompted us to talk to airlines and airports about what steps we could take if it was decided that the protective security settings we regulate could contribute in some way to addressing a pattern of criminality.

Senator O'BRIEN—So you are talking to the airlines about the issues that have been raised by these events?

Mr Tongue—We are talking to the airlines and the airports about the protective security settings that exist which may contribute to dealing with a pattern of criminality at airports, but we do not regulate or set out to provide a regime that will deal with all criminality at airports. We have to rely on police and Customs services and others with the powers to address that issue.

Senator O'BRIEN—I understand you are about security and safety, and that is the context in which I raise the question. I am not asking you to investigate each tampering or theft event but rather the pattern of events and what that might indicate about the security of the so-called secure area.

Mr Tongue—That is certainly work that we are doing.

Senator MARK BISHOP—Can we turn to the budget allocation for the Office of Transport Security for the 2005-06 financial year. I think it is on page 29, isn't it?

Mr Tongue—It is on page 28. I think you will find it a little under halfway down under output 1.2.1.

Senator MARK BISHOP—The amount has gone up from \$43 million to \$51 million. Is that right?

Mr Tongue—That is certainly what the appropriation is.

Senator MARK BISHOP—Why is there that increase? It is almost 20 per cent.

Mr Tongue—It reflects funding that we have received in this budget for maritime security and it reflects a pattern of funding for aviation security that has grown over time but which will flatten out from now. It is a sort of stepped funding increase and it will flatten out now.

Senator MARK BISHOP—Did you say you have an increase this year for maritime?

Mr Tongue—In the new financial year.

Senator MARK BISHOP—In the new financial year, in 2005-06?

Mr Tongue—That is right.

Senator MARK BISHOP—Is all of that increase, from \$43 million to \$51 million, apart from CPI, for maritime security?

Mr Tongue—No, not all of it. Part of it is, and part of it is the stepped increase for aviation.

Senator MARK BISHOP—Of the \$8 million increase, how much is allocated to maritime security?

Mr Tongue—Can I take that step-up on notice. It is the one thing I have not come prepared for.

Senator MARK BISHOP—What is the current staffing level of the OTS?

Mr Tongue—It is currently at around 245 staff.

Senator MARK BISHOP—What is the number of FTEs?

Mr Tongue—There are 243.2 FTEs and 246 live bodies—as opposed to dead ones!

Senator MARK BISHOP—As opposed to otherwise bodies! Can you provide me with a breakdown of how staff are distributed within the OTS between state and regional offices, the Canberra office and overseas?

Mr Tongue—I certainly can. As of 30 April we have approximately 168 staff in Canberra. Would you like a breakdown by state?

Senator MARK BISHOP—If you have it, yes.

Mr Tongue—There are 18 in Sydney, 13 in Melbourne, 11 in Adelaide, 12 in Perth and 19 in Brisbane. We have a person in the Philippines, a person in Indonesia and two people in Papua New Guinea.

Senator MARK BISHOP—Can you do the break-up by function—maritime, air aviation, land transport security?

Mr Tongue—I can give you that breakdown for Canberra, for the central office staff, but not across the whole office.

Senator MARK BISHOP—Give it to me for Canberra and take the rest on notice.

Mr Tongue—Certainly. In Canberra: maritime security, 44; aviation security, 30; regional and freight security, 38; critical infrastructure and surface transport security, 21; executive director and governance, so that is support functions, 10; and our operations centre, 25.

Senator MARK BISHOP—Can you do the break-up on policy or intelligence, compliance and enforcement as well?

Mr Tongue—I would have to take that on notice. I will do that.

Senator MARK BISHOP—Can you do the same analysis for the start of the 2004-05 financial year as well?

Mr Tongue—Yes, we can do that.

Senator MARK BISHOP—Just out of left field: how much of the Ansett ticket levy was spent on aviation security?

Mr Tongue—\$94.3 million was allocated by the government against the ticket levy—for want of better language—for a range of initiatives under the enhanced aviation security package. We can give you a breakdown of those measures, if you like.

Senator MARK BISHOP—Are they in the press release?

Mr Tongue—No, but Ms Dickman would be able to help you with that.

Ms Dickman—The breakdown of the funding is: \$46.9 million over five years for the new aviation security regulation regime; \$2.4 million over four years for our additional positions in the Philippines and Indonesia; \$3.2 million in funding to assist with the installation of hardened cockpit doors—the cockpit doors that keep the cabin separate from the passengers; and \$14 million towards the enhancement of basic security measures at regional airports. In addition to take that there was funding that when to other portfolios which included: \$12.5 million over five years that went to the Australian Federal Police; \$6.7 million over four years that went to the Australian Security Intelligence Organisation; and \$8.4 million that went to the Australian Customs Service.

Senator MARK BISHOP—Was the \$3.2 million for hardened cockpit doors a grant to the major airlines?

Ms Dickman—It has actually been a grant to regional airlines. There are currently 11 airlines in receipt of funding to install those doors.

Senator MARK BISHOP—Is that all the airlines or just the major commercial regional airlines?

Ms Dickman—Prior to the new act coming into place there was a requirement for hardened cockpit doors to be in all aircraft with 100 or more seats. With the introduction of the new aviation security regime, that came down to all passenger aircraft with 30 or more seats, which was predominantly the regional aviation fleet, so that funding is going to regional airlines.

Senator MARK BISHOP—Is that \$3.2 million the total cost of converting those planes or only a part?

Ms Dickman—It covers the cost of the actual door itself and its installation.

Senator MARK BISHOP—For all the planes that are affected?

Ms Dickman—Yes.

Senator MARK BISHOP—So the government is picking up the tab for all of the planes in the regional areas?

Ms Dickman—For those regional airlines, yes.

Senator MARK BISHOP—Would that apply to airlines such as Qantas or its Airlink subsidiaries that have planes with less than 30 passengers in regional parts of Australia?

Ms Dickman—The funding is available to all aircraft operators with aircraft with 30 or more seats located in regional areas. I have a list of the airlines that are currently in receipt of funding.

Senator MARK BISHOP—Do you mind giving us that?

Ms Dickman—At this stage the airlines are Airnorth Regional Pty Ltd, Macair, National Jet Systems, Network Aviation, Qantas Airways, Queensland Regional Airlines, Regional Express, Regional Pacific Airlines, Skippers Aviation, Skywest and Sunshine Express Airlines.

Senator MARK BISHOP—Was the figure of 30 and those airlines arrived at after a process of negotiation with industry?

Ms Dickman—That actually resulted from the Secretaries Committee on National Security review of aviation security in 2003.

Senator MARK BISHOP—Thank you, Ms Dickman. Can we turn now to page 15 of the PBS—the appropriation for APEC 2007 of \$600,000 going up to \$1.1 million, \$300,000 in the current year, next year and two out years. We could not find an explanation of that in Budget Paper No. 2. Can you outline how the OTS is involved in the planning or implementing of the security for APEC 2007.

Mr Tongue—That appropriation is to the department. It is only part security and part other activities, but I can certainly do that.

Senator MARK BISHOP—Is there something in the budget papers? Did we miss it? There is nothing at the bottom of the table and there is nothing on the following page in the PBS, but there might be something in the budget papers. If there was, we missed it; otherwise, I would not be asking the question.

Mr Tongue—We think that there is a general APEC one. APEC is being coordinated by the Department of the Prime Minister and Cabinet, which is why I am looking in this. We will keep hunting. Have you got other questions you would like to go to?

Senator MARK BISHOP—Can you tell us then how OTS is involved in planning and implementing security for APEC in 2007.

Mr Tongue—Because APEC will involve meetings across a range of portfolios with a range of dignitaries travelling and a range of special aircraft coming into the country, we will be involved in a whole range of issues at airports to do with the management of the security regime around particular people passing through the system. We also manage a process where foreign countries may come to us particularly around the Leaders Meeting where there are certain exemptions for state aircraft. Also, because the smaller meetings will be around the country, the general security environment around a particular locality will be raised and we will work with state police, the Protective Security Coordination Centre and others to contribute to that security environment.

Senator MARK BISHOP—What other government agencies are you working with to coordinate the transport security?

Mr Tongue—There is a special APEC cell being created in the Department of the Prime Minister and Cabinet. They have set up a coordination mechanism, so it would be all our usual border control partners as well as state police, security agencies, ASIO and so on. We will be one of a quite big cast.

Senator MARK BISHOP—So PM&C is the lead agency doing the coordinating?

Mr Tongue—Yes, that is right.

Senator MARK BISHOP—Okay.

Mr Mrdak—In Budget Paper No. 2, page 117 there is a reference in the cross-portfolio section dealing with APEC 2007 which has figures across the various Commonwealth agencies. The government has committed to \$216 million over four years for the hosting of APEC and our contribution is listed in that way in the PBS, but the full description measure is on page 117 of Budget Paper No. 2.

Senator MARK BISHOP—Has the OTS conducted an evaluation or review of the accuracy of land transport security arrangements, particularly rail security, for APEC 2007 as yet?

Mr Tongue—Land transport security is principally the responsibility of the states. We have been working with the states to develop an intergovernmental agreement on surface transport security. I do not think we have yet been in deep discussion about 2007, but Ms McIntosh might be able to provide further details.

Ms McIntosh—There is no specific work in relation to rail security and APEC at the moment, but that may change as we approach APEC 2007.

Senator MARK BISHOP—Has PM&C started the serious planning yet for APEC 2007?

Mr Tongue—Certainly Ambassador Ruth Pearce, who was previously Australian Ambassador to the Philippines, is leading the task group. I would say that we are really getting into the meaty planning phase now.

Senator MARK BISHOP—Would you anticipate that you will be asked to do a review or evaluation of the adequacy or otherwise of land transport?

Mr Tongue—I would be surprised. I would think that is something that relevant states would take up in the context of their particular responsibilities for the—

Senator MARK BISHOP—Particularly security on rail.

Mr Tongue—Yes, for the particular meetings.

Senator MARK BISHOP—So are you saying to me that really land transport security and rail security are predominantly to be looked after by the states?

Mr Tongue—Predominantly, although what we have established with the states under the standing committee on transport, the officials group that reports to transport ministers, is a transport security working group in which we work with our partners in the state transport agencies. That has been a platform to develop an intergovernmental agreement and, hopefully,

that will soon be ratified and will also do a range of work related to rail security that is principally focused on what I would call capacity development—staff awareness and training and so on. We have done some work with ASIO on threat assessments and those sorts of things. If you like, it is assisting the states and trying to move forward nationally on a broad front. Rather than saying, ‘We’ve all just go to focus on Sydney,’ we are trying to move forward together.

Senator MARK BISHOP—So PM&C as the lead agency and you as one of the coordinating agencies would work through that committee to do the review of the adequacy or otherwise of land and rail security across the country?

Mr Tongue—Do you mean within the context of APEC?

Senator MARK BISHOP—Yes.

Mr Tongue—For APEC I would imagine that, in the first instance, there would be a range of processes that PM&C would undertake with premiers departments to do with meetings and so on and then that would trickle down to various line areas. If we were asked to do anything, we would use the transport security working group.

Senator MARK BISHOP—But you have not yet been asked?

Mr Tongue—No.

Senator MARK BISHOP—By definition then, having not been asked to engage in any activity, you would not have received any additional funding for that?

Mr Tongue—Not to date, but we will receive it. I have my information here: of the \$2 million that the department will receive, we will receive \$1.1 million over three years from the next financial year to start to contribute to those APEC processes.

Senator MARK BISHOP—When you say the next financial year, do you mean 2005-06?

Mr Tongue—I mean 2005-06.

Senator MARK BISHOP—You will have a bit over a million to spend, so you will be involved to some extent?

Mr Tongue—Yes.

Senator MARK BISHOP—Would you expect to supplement existing staff levels for that or would you just transfer existing people?

Mr Tongue—I think we may supplement existing staff levels in one or two of our state offices, subject to the pattern of meetings that is likely to occur and also based on any information that intelligence agencies give us about which ones might be of relevant security interest.

Senator MARK BISHOP—APEC is meeting in Sydney, isn’t it?

Mr Tongue—There is a leaders meeting, but I think there is also a transport meeting.

Mr Mrdak—Part of the resourcing given to our department is for the hosting of a transportation ministerial meeting during 2007 as well. Around APEC, other portfolios will also pursue similar ministerial-type meetings which build on the leaders meeting that Mr Tongue mentioned. The additional resourcing coming to our department is partly to do with

areas such as Airservices Australia. The bulk of the funding will be for OTS and the remainder will be for us to organise and hold the transportation ministerial meeting. At this stage we are looking at possibly holding a meeting of the APEC transport ministers in Adelaide.

Senator MARK BISHOP—Are there any other ministerial meetings, apart from transport, that you are involved in?

Mr Mrdak—I am not aware as to what degree of certainty there is around the others, but I do believe there are others being organised by other portfolios.

Senator MARK BISHOP—Do those meetings extend outside security issues to more general issues?

Mr Mrdak—The meetings?

Senator MARK BISHOP—Do those other meetings being organised or coordinated by other line departments go outside security issues to more general issues?

Mr Mrdak—Yes. Our transportation ministerial meeting will be about the whole range of APEC ministerial issues. They will be about security, liberalisation—all of those trade agendas that are covered by transport ministers. It is the full agenda. For instance, at the transportation ministerial meeting, security is one item in a whole suite of items which APEC ministers deal with. Similarly, in other portfolios they would have a full range of issues. Finance ministers and the like would deal with their various areas.

Senator MARK BISHOP—How many officers do DOTARS have deployed in the region to discuss and collaborate on transport security issues?

Mr Tongue—As I mentioned earlier, currently we have two officers based in Port Moresby.

Senator MARK BISHOP—In the Philippines?

Mr Tongue—We have one officer in Manila and we have one officer in Jakarta. We also staff the Pacific, using resources flown out from Australia.

Senator MARK BISHOP—The Pacific people are staffed in Australia, though.

Mr Tongue—Yes.

Senator MARK BISHOP—So two in the Philippines and one in Jakarta.

Mr Tongue—There are two in Port Moresby, Papua New Guinea, one in the Philippines and one in Jakarta.

Senator MARK BISHOP—Are those people generalists or do they have specific tasks?

Mr Taylor—They are generalists to the extent that they are not security personnel. Their principal task is to liaise and negotiate with key partners in the region. The Manila office takes in that part of northern Asia and Jakarta takes in southern Asia. Their role particularly is to work with nations around transport security settings, because Australia relies on other people's transport security for those aircraft and ships coming towards us. We have set up a range of arrangements to work with our partners to improve capability.

Senator MARK BISHOP—So it is both aviation and maritime.

Mr Tongue—Yes, they are dual officers. At this stage we are planning, subject to our final budget for next year, to increase the presence in Manila and Jakarta with one or two additional officers.

Senator MARK BISHOP—Who do these officers report to? What are their lines of communication?

Mr Tongue—All staff on post are managed by the ambassador, so they are part of the team at post. However, they report back through Mr Kilner to me and subsequently the secretary.

Senator MARK BISHOP—On a daily or local level they report to the ambassador, or his nominee, but in terms of their workload and their policy objectives, they work back through the relevant officers in the department.

Mr Tongue—That is right.

Senator MARK BISHOP—Do they provide monthly reports or quarterly reports? Do you have meetings with them?

Mr Tongue—We have a fortnightly teleconference with them. It is, if you like, a bit of a brief from us and a brief back from them. We have a system whereby they put regular cables into the system reporting on their activities. They are also part of the reporting arrangements around the embassy. So they have multiple reporting requirements.

Senator MARK BISHOP—Switching to land transport a bit, has the government developed a national approach as yet to protect railroad infrastructure, major rail facilities, key rail hubs and the rail passengers from the threat of terrorist attack?

Ms McIntosh—As Mr Tongue mentioned, we work with our transport security colleagues within state governments and we have done a number of things that go to that end. We developed a menu of measures for the low, medium, high and extreme levels of alert, which they use with their rail operators to give an indication of the sorts of measures appropriate at those levels of alert. We also have a range of background and guidance materials which we have workshopped with the transport operators, which our state colleagues have brought to workshops that we have run. Those have been around the risk assessment process used for security purposes, and a template for developing a security plan. In addition to that, when we had a surface transport threat assessment come out from ASIO last year we ran those workshops again and we gave the information to the people whose state and territory transport departments asked to have access to that information and to the transport operators.

In addition to those things Mr Tongue mentioned, we have been working on an intergovernmental agreement for surface transport security and that is expected to be considered by COAG hopefully next month. It requires state and territory governments to identify surface transport operations within the jurisdictions that are a security concern and to require those operators to submit transport security plans and so on. We are approaching that on the basis of a nationally consistent approach to the risk assessment process and the security plan process. In addition to that there has been some work within the rail context for rail model legislation and that has some security elements as well. So in a number of states and territories they are already working with their rail regulators to incorporate some security elements into the rail accreditation system. Some state and territory governments have also

extended that sort of approach to other areas of transport, for example, to ferries and to buses—and ferries we consider to be in that broad surface transport approach.

Senator MARK BISHOP—So the intergovernmental agreement that goes to COAG next month—

Ms McIntosh—Hopefully.

Senator MARK BISHOP—I presume the negotiation and the drafting on that have been concluded at officer level?

Ms McIntosh—It has. The process started shortly after the Madrid bombings. The suggestion that there should be an intergovernmental agreement was one of the recommendations that was taken to transport ministers after the Madrid bombings. We then started a process shortly after that with both our transport colleagues and representatives from the Department of Prime Minister and Cabinet and first ministers' departments. In many ways that was a joint outcome of the transport ministers' side of things and the National Counter-Terrorism Committee and that has been agreed to at officer level and is being considered by COAG hopefully next month.

Senator MARK BISHOP—You identified a number of things that were going to have to occur. The states were going to have to draft some processes and guidelines for some security measures at a state level. Does that include security of passengers travelling by rail?

Ms McIntosh—Passenger security is the main element of that, yes.

Senator MARK BISHOP—And that is intrastate passenger security—suburban lines and the like?

Ms McIntosh—Yes. The primary focus and interest in surface transport has lined up with what the threat assessment told us about surface transport. It is not surprising that there is a focus on passengers and places where people gather. That has been the primary concern of state and territory governments to this time.

Senator MARK BISHOP—So the major area of concern is places where large numbers of people gather—railway stations, railway hubs?

Ms McIntosh—And those crowded urban surface transport.

Senator MARK BISHOP—Yes, railway stations. After the Madrid bombings you entered the negotiation phase with the states and territories. That has now concluded, the draft is going to go to COAG and you anticipate the ministers signing off at COAG. Then what happens?

Ms McIntosh—The states have already started the work on how they will security identify transport operations, and largely they will also be driven by the threat assessment from ASIO. Part of the intergovernmental agreement and the work that we do with states and territories is to make sure that state transport departments have access to relevant new threat information which would drive their processes.

Senator MARK BISHOP—Will they go directly to the relevant security agencies by passing DOTARS or through DOTARS?

Ms McIntosh—Under the national counter-terrorism arrangements, threat information is actually disseminated by the police. What happens in practice is that, if a new threat assessment comes out, our state transport colleagues will have had access to that from their state police and then we can have a discussion about the implications of that for the joint work that we are doing with them.

Senator MARK BISHOP—So having established the IGA, having had COAG sign off on it and having had the states implement it, what role is there for the Commonwealth thereafter?

Ms McIntosh—There will be an ongoing role. There are obligations under the intergovernmental agreement for reporting back, both through transport ministers and relevant COAG processes. Whether that is through the National Counter-Terrorism Committee or not, I am not sure what the actual mechanism for reporting back will be. So there will be a reporting back process. As I said, there will also be making sure that there is national consistency. For example, if one state security identifies a cross-jurisdictional operation, that needs to be managed in a way that makes sure that the states can comply with their obligations and that transport operators who cross jurisdictions are not adversely affected by multiple different regimes. So it will be an important role for us as well, in working through our transport security working group, to make sure that those issues are handled as smoothly as they can be.

Senator MARK BISHOP—Is that really a supervisory role for the Commonwealth?

Ms McIntosh—I would not call it a supervisory role as much as a coordination and encouragement role. One of the important aspects of it will be helping the states to agree that this is going to be smoother if we use those agreed templates—effectively the templates that we have already developed and that we have been using in surface transport, which are the same sort of guidance materials that we use in the maritime and aviation contexts. The reason I say that is that for cross-border operations if the states have agreed to the same processes then those arrangements will be smoother if there is mutual recognition between the different state and territory approaches. So one of the important roles that we have is re-looking at the validity of their risk assessment guide and security plan guide to make sure that they are actually amenable and suitable to these cross-border operations. That is one of the things that we are doing at the moment in preparation for COAG agreement to the IGA.

Senator MARK BISHOP—Coming back to pure intrastate passenger movement, does the IGA extend also to bus and transport companies engaged in shifting people?

Ms McIntosh—The IGA will require the state or territory government concerned to itself determine which of the operations that are within their state or territory or that cross their state or territory borders should be security identified and then be subject to the requirement to have a security plan in place and so on. The actual obligation to do the security plan and the risk assessment will rest with the transport operator rather than with the state government.

Senator MARK BISHOP—But the IGA directs the state government to make the prior decision as to whether a particular transport mode requires a security apparatus to be established. Is that correct?

Ms McIntosh—Yes, that is correct.

Senator MARK BISHOP—So, for example, state governments could determine that railway stations in the centre of the city might be a security priority but at the same time determine that a bus terminal in the centre of the city or elsewhere is not a security priority. Is that correct?

Ms McIntosh—Yes, they have the scope to do that and, like us, in making that sort of judgment state governments would look at the ASIO threat information.

Senator MARK BISHOP—What happens if a state government makes such a decision and the Commonwealth is uncomfortable with it?

Mr Tongue—If it were an issue that was related to another piece of critical infrastructure, we might draw that to the attention of the relevant state transport department and premier's department. If it were to do with a crowd issue, we might discuss that with state police as well. There is a range of avenues under the national counter-terrorism arrangements in particular for us to sort through with states, being both national government and jurisdictional priorities.

Senator MARK BISHOP—But in the final analysis the decision-making body is the state?

Mr Tongue—In the final analysis, yes.

Senator MARK BISHOP—And that is the agreement between the Commonwealth and states.

Mr Tongue—That is right.

Senator MARK BISHOP—At IGA level and for tick-off by COAG.

Mr Tongue—Yes.

Senator MARK BISHOP—I just wanted to get that clear. Also, in a number of states rail is now privately owned and run—Victoria, Tasmania and up the east coast. Is South Australia private?

Ms McIntosh—It is still public.

Senator MARK BISHOP—And Western Australia is still public. Enhanced security comes at a cost, of course. Are the private operators of rail, bus and ferry treated the same as public operators?

Ms McIntosh—The intergovernmental agreement does not make any distinction between state government owned operations and non-state-government owned operations. In jurisdictions where transport operation is privately owned the state governments are planning to treat them in the same way in terms of obligations to, say, develop security plans and so on.

Senator MARK BISHOP—That is going to be a challenge for some of those private operators.

Ms McIntosh—They find our information and guidance material very helpful, apparently, so hopefully they will manage that quite well.

Senator MARK BISHOP—Some of them cannot even get their buses running on time! Are you going to monitor their security practices? Who does that?

Ms McIntosh—The security practices of the state and territory governments or of the private transport operators?

Senator MARK BISHOP—The private transport operators.

Ms McIntosh—The auditing or compliance requirements for the private transport operators within those states and territories will be the responsibility of the state or territory government.

Senator MARK BISHOP—So responsibility for the security of railroad infrastructure, major rail facilities and key rail hubs rests with the states and territories.

Ms McIntosh—Yes, that is right.

Senator MARK BISHOP—Moving to supply chain transportation, has the department developed a comprehensive security framework for the supply chain of container transportation across Australia, including rail yards, road stops and shipping and loading terminals? Is that your responsibility or does Customs handle it?

Mr Tongue—It is partly us; it certainly involves Customs. The challenge in supply chain, I guess, is to knit together all the regulators. Our principal focus early on has been around high-consequence dangerous goods.

Senator MARK BISHOP—Is that the issue of explosives—fertiliser and so on?

Mr Tongue—Some high-consequence dangerous goods are explosives; some are other chemicals. There are a range of nasties in there. Under COAG arrangements we have certainly been collaborating on high-consequence dangerous goods. The National Transport Commission is putting together draft legislation that be will available to states around the security arrangements for high-consequence dangerous goods.

Senator MARK BISHOP—Why do you call them ‘high consequence’?

Mr Tongue—To distinguish them from other dangerous goods. Beanbag stuffing is a dangerous good because it emits noxious fumes if burnt. There are thousands of dangerous goods, but we have narrowed them down. We are also talking to the Customs service about wider supply chain issues and how we might advance beyond a small subset to general supply chain security.

Senator MARK BISHOP—What I want to talk about is more the general proposition involved in the supply chain of containers from outside their terminals to their end points across Australia. The issue of the security of high-consequence dangerous goods is very much a subset of that.

Mr Tongue—Yes, absolutely.

Senator MARK BISHOP—We might talk about the movement of containers from terminal to end point across Australia. In that context, has the Commonwealth developed a comprehensive security framework?

Mr Tongue—We have certainly been doing work with the Customs Service on the nature of such a framework. The best model we have from the transport side is what we do for air cargo, which is a ‘known shipper’ program, but we and Customs are still working through that.

Senator MARK BISHOP—By the sounds of it you are still in early days.

Mr Tongue—I do not know how my Customs colleagues might characterise it but, from our perspective, other than in the area of high-consequence dangerous goods, I would say it is still early days.

Senator MARK BISHOP—Yes, that is my observation. Customs generally bring a different paradigm to security issues, relating a lot to criminality and the importation of goods or substances which might be illegal—as opposed to your perspective, which is more general security.

Mr Tongue—That is right. The power, though, of the link with Customs is the information they have about the containers as they cross the border. The challenge is how that information might be linked up with other players down the supply chain so that it is trackable and traceable from a regulator's perspective.

Senator MARK BISHOP—Ms McIntosh was telling us that the process has virtually concluded in terms of the rail security agenda.

Mr Tongue—Yes.

Senator MARK BISHOP—But we are right at the beginning of developing a workload for container shipment from terminal to end point across Australia, aren't we?

Mr Tongue—I think it is early days. I would not say we are right at the beginning, because we have seen what the Americans have done with CT PAT and various initiatives like that. I think we all have notions of how we might move forward, but we are certainly not as advanced in, say, containers as we are in urban passenger transport.

Senator MARK BISHOP—If I said that I want to talk to you in about two or three years time, that would be the right time to talk to you, wouldn't it?

Mr Tongue—My guess is that it would take that long to come up with something that is going to be road testable on the ground and with all the relevant stakeholders in the tent.

Senator MARK BISHOP—The Maritime Transport Security Amendment Bill 2005 is likely to be introduced on 26 May. Can you outline the purpose of the bill and what it will cover? Has that bill been to a committee yet?

Mr Kilner—No. My understanding is that the bill will be introduced into the parliament this Wednesday.

Senator MARK BISHOP—I presume it will then get flicked to a committee.

Mr Kilner—Perhaps.

Senator MARK BISHOP—We do not know. Can you give us that overview?

Mr Kilner—The Maritime Transport Security Amendment Bill 2005 deals effectively with the introduction and expansion of the powers of the Maritime Transport Security Act to cover both the offshore oil and gas facilities and the introduction of a maritime security identification card.

Senator MARK BISHOP—Is that for workers in the industry?

Mr Kilner—The maritime security identification card will cover all people who require unmonitored access in a maritime security restricted zone—workers, contractors and so on.

Senator MARK BISHOP—Does the oil and gas extension apply just in the North West or down in Bass Strait as well?

Mr Kilner—It covers all 56 offshore oil and gas facilities around Australia. Predominantly, they are in the North West, but it will cover the Bass Strait facilities as well.

Senator MARK BISHOP—Will it apply automatically to new gasfields and oilfields that are found?

Mr Kilner—Yes, it will.

Senator MARK BISHOP—Why are these changes considered necessary?

Mr Kilner—Last year the government undertook a review of our maritime security policy settings. The first tranche of that was announced, I think, in June 2004. As part of that, the government announced that it would be increasing the security settings predominantly around oil and gas. A task force was set up—the government announced the findings of that on 15 December 2004—and that was predominantly around the oil and gas facilities. The government recognised the need to increase the security settings around those offshore oil and gas facilities. Effectively, there were two tranches to that. The first was the creation of the joint offshore protection command, which is a joint Defence-Customs organisation that was stood up, I think, around 30 March. The second was the government's announcement of the broadening of the Maritime Transport Security Act so that we could put in place the preventative security regime that would exist on those facilities.

Senator MARK BISHOP—What has been the process of consultation for both elements of the bill?

Mr Kilner—I will start with the maritime security identification card, because there have been two separate consultation processes in place. About nine months ago, I think around September last year, we started our consultations with industry in regard to the implementation of the MSIC scheme—if I can call it that in short. That involved the establishment of an MSIC working group with industry and employee associations so that we could look at the scheme design. That consultation process has been running effectively since then. The output of the MSIC working group was a series of recommendations about how the scheme would work. They have been to government and agreed, and they are now reflected in the act. In regard to the offshore oil and gas, consultations commenced with industry immediately after the government made the announcement in December—

Senator MARK BISHOP—December last?

Mr Kilner—On 15 December 2004. We have been working closely with industry throughout that process in developing the legislative framework that is going to exist.

Senator MARK BISHOP—I take it the groups that were meeting have now been wound up?

Mr Kilner—Neither of them has been wound up. The meetings in regard to the oil and gas facilities will continue right through until 30 September, which is when the regime is due to

take effect. For example, a series of meetings is being organised for the week after next—workshops will be held in both Perth and Melbourne involving industry players—to walk through with them the regulations that will be introduced as part of the regime and to walk through further with them the guidelines for the introduction of the security planning process. The MSIC working group has not met for a few weeks. It will meet again soon to further refine the implementation strategy that will be needed to introduce that particular regime, which will commence from 1 October.

Senator MARK BISHOP—When do you think each element of the bill will come into force? What is the implementation date?

Mr Kilner—The oil and gas facilities are due to come into the regime with effect from 30 September 2005. The MSIC will commence from 1 October, but there will be a transition period. At this stage we are planning on a nine-month transition period for the roll-out of the MSIC program.

Senator MARK BISHOP—What is the cost of the implementation of the two sets of proposals?

Mr Kilner—The government has provided an appropriation for the cost of the implementation, contained in the PBS, which I can refer you to.

Mr Tongue—Are you talking state government implementation costs or industry implementation costs?

Senator MARK BISHOP—I am talking about Australian government implementation costs.

Mr Kilner—In regard to MSIC, in 2004-05 portfolio additional estimates statements at page 24, \$0.8 million was allocated for 2004-05, \$0.5 million for 2005-06, and \$0.3 million for 2006-07 and 2007-08.

Mr Tongue—In terms of industry implementation costs, I was just querying the information put into the regulatory impact statement. As far as the offshore platforms go, they have not been able to estimate for us the impact of security measures until such time as they have done the work. However, they have indicated agreement to the proposal, so they are not flagging with us that that set of costs has been onerous or out of kilter with other expenses in the industry. On the issue of MSIC, there is a little bit of tuning work that goes to how many people will be captured in the regime and the final cost of the card. For example, if the number of people affected varied by 10 per cent, you multiply that by the cost of a card and you get a very big variation.

Senator MARK BISHOP—How many people will be affected by the cards?

Mr Kilner—The number is a little unclear, but this stage we think it will be between 100,000 and 130,000. The reason the variation occurs is that some individuals are undertaking business with more than one facility. So we have gone out to all the maritime industry participants and asked them how many people they think will be captured by the scheme, and we have an estimate between 100,000 and 130,000—and that is specifically for MSIC.

Senator MARK BISHOP—Now you are going to give me that other detail.

Mr Kilner—I do not have the particular breakdown with regard to oil and gas—the finance people are checking that. It is wrapped up in the money that has been allocated by government on page 87 of Budget Paper No. 2, which has \$10.3 million allocated for 2005-06 for all of the maritime security functions, \$12.3 million in 2006-07, \$12.4 million in 2007-08 and \$12.5 million in 2008-09.

Senator MARK BISHOP—I have got the table. So this work is coming off their budget appropriation here, is it?

Mr Kilner—That is right.

Senator MARK BISHOP—It is \$10 million rising to \$12 million in the three out years. The last sentence in the first paragraph says:

Application of the code in Australia will be expanded to include offshore oil and gas facilities.

Is that increase from \$10 million to \$12 million over the three out years the amount for the oil and gas?

Mr Kilner—It is for more than just oil and gas. It also enables us to ramp up the number of inspections that we are undertaking with regard to the range of facilities and ships captured under the maritime security regime.

Senator MARK BISHOP—Who is going to pay for that 100,000 to 130,000 people who need the card? Is government or industry to pay for that?

Mr Kilner—It is paid for by industry.

Senator MARK BISHOP—How do you do that—by levy?

Mr Kilner—Effectively, it is done through two mechanisms. One is that, for each application that is submitted for an MSIC, there is a fee charged by the AFP for background checking. At this stage, based on the ASIC scheme, the cost of background checking is about \$49 per application. The other charges associated with the introduction of an MSIC are really around administration and the depreciation on the equipment used to produce the card. In general, based on the ASIC scheme, we would expect it to be around \$118, including those three elements: administration, background checking and depreciation.

Senator MARK BISHOP—So it is a cost of \$118 multiplied by up to 130,000 per annum.

Mr Kilner—No. Each MSIC has a life of five years, so that cost is amortised over five years.

Senator MARK BISHOP—So you are looking at roughly 24 or 25 per year multiplied by 100,000. Is industry going to pay for all of that?

Mr Kilner—Yes.

Senator MARK BISHOP—That is very good of them. Are they happy to do that?

Mr Kilner—In general, industry is happy—perhaps happy is too strong a word. Industry is in agreement that they are going to have to pay those costs. As you know, the cost of security is the cost of doing business. Therefore, this is another cost of doing business.

Senator MARK BISHOP—That is right. It is a capital intensive industry anyway, so who cares. Where does the background checking for foreign crews come into this little discussion?

I used to have lengthy discussions with Customs about crews exiting ships without authority. Where are crews on ships that are docking in Australia going to fit into this new card system?

Mr Kilner—I need to deal with this in two groups. Firstly, with the MSIC program, all people regardless of nationality who are employed or require unmonitored access within a restricted zone will require an MSIC. Effectively, that includes Australian and foreign employees of maritime industry participants. It does not matter whether they are an Australian or a foreign national, they will go through that process as part of gaining a maritime security identification card. The second group, which I think you are referring to, comprises foreign crew of foreign flagged ships coming into Australian ports. Those people are checked through the arrangements that we have put in place, where the master or ship agent must submit the crew list of all people 48 hours prior to entry to Australia. Those names are then run against the various alert lists that we have. If they are cleared then they are issued with a special purpose visa which enables them access to Australia.

Senator MARK BISHOP—So, if the master of the ship has submitted the list of the crew 48 hours prior to docking and that list has been fed through the system, it will be sufficient for the allocation of a card to those crew.

Mr Kilner—No, they are not issued with an MSIC at all.

Senator MARK BISHOP—I thought you mentioned a special purpose visa.

Mr Kilner—They are issued with a special purpose visa. That is why they are in the second group. One group includes foreign nationals or Australians working within the maritime industry; the second group includes foreign crew coming in on foreign flagged ships.

Senator MARK BISHOP—And we are talking about the second group.

Mr Kilner—The second group are not issued with MSICs. The second group go through those usual immigration processes and are then issued with a visa.

Senator MARK BISHOP—Does the bill to be introduced later this week propose any change in substance to the way the crew in the second group will be treated?

Mr Kilner—No.

Senator MARK BISHOP—It will have no effect at all?

Mr Kilner—No.

Senator MARK BISHOP—So the way those crew are background checked continues to be a responsibility of Customs and Immigration and their existing practices?

Mr Kilner—That is correct.

Senator MARK BISHOP—Going back to high-consequence dangerous goods, Mr Tongue, has any progress been made in relation to limiting the carriage of high-consequence dangerous goods as coastal cargo by foreign flagged ships—permit ships?

Mr Tongue—I might flick that one to Mr Kilner.

Mr Kilner—Could you repeat the question please, Senator.

Senator MARK BISHOP—Has any progress been made in relation to limiting the carriage of high-consequence dangerous goods—for example, ammonium nitrate—as coastal cargo by foreign flagged ships, that is, permit ships?

Mr Kilner—There is no limitation placed on the carriage of ammonium nitrate or other high-consequence dangerous goods in the issuing of single voyage permits or continuous voyage permits.

Senator MARK BISHOP—There has been no change?

Mr Kilner—There has been no change. But in this calendar year, for example, there have been only three shipments of ammonium nitrate using the SVP system.

Senator MARK BISHOP—So you do keep statistics in relation to the carriage of high-consequence dangerous goods on foreign flagged ships into and out of Australia?

Mr Kilner—We keep statistics on the carriage of ammonium nitrate by foreign flagged vessels that have applied for single voyage permits.

Senator MARK BISHOP—What about other high-consequence dangerous goods?

Mr Kilner—No, we do not at this stage. Custom may, and I am sure they do, keep statistics on the importation of dangerous goods in terms of their usual process. But statistics are not kept of their movements around Australia.

Senator MARK BISHOP—Is there any move to support the use of Australian ships and crews for the carriage of high-consequence dangerous goods for both domestic and international voyages?

Mr Kilner—There has been no change to the government's policy with regard to the use of single voyage permits or continuous voyage permits.

Senator MARK BISHOP—There is no current review of that going on?

Mr Kilner—Not that I am aware of.

Senator MARK BISHOP—Has the department monitored the impact of the implementation of the International Ship and Port Facility Security Code, the ISPS, on the welfare of seafarers?

Mr Kilner—Not directly, no. We do not survey foreign crew on arrival to find out whether or not there have been changes to their circumstances.

Senator MARK BISHOP—No role for the department in that?

Mr Kilner—No. We are specifically interested in the implementation of the ISPS Code and work both nationally and internationally in that environment. Of course we are aware of issues concerning seafarers' welfare, but there is no policy in place for us to survey seafarers to look at the impact on seafarer welfare.

Senator MARK BISHOP—What is the department's role in monitoring the impact of the implementation of the ISPS? What do you monitor?

Mr Kilner—We primarily focus on the security outcome, so we are not focusing directly on seafarer welfare. We are more generally looking at whether or not the ISPS Code is achieving the security outcomes that we are seeking, both nationally and internationally.

Senator MARK BISHOP—Are you aware of whether any measures have been put into place to ensure that shore leave and access by welfare organisations is not reduced as a result of security measures at Australian ports? I understand that is a clear requirement of the ISPS.

Mr Kilner—It is contained within the ISPS Code. It is also contained within the Maritime Transport Security Act. There is an objective that seafarer welfare is not unduly constrained through the application of the ISPS Code. What that means is we are trying to ensure that the implementation of the security arrangements is not being used as a mechanism for reducing access to crews by welfare organisations or other organisations.

Senator MARK BISHOP—Have you put any measures in place to achieve that end?

Mr Kilner—We have formed a working group within industry to have a look at that particular issue. One or two cases have been highlighted to us by employee associations and have raised some concern. As a result of that, we put together a working group involving industry to have a look at what the best mechanism is that we can put in place to ensure that we do not have the security outcomes that we are trying to implement being abused by parties within the maritime security environment.

Senator MARK BISHOP—You said you had had one or two cases drawn to your attention. Were they serious matters or just matters that occurred through ignorance of the act?

Mr Kilner—I would hesitate to classify them as either severe or otherwise. They were incidents that were reported to us, one involving the denial of access by employee associations into a restricted zone and the other one involving a foreign flagged ship that attempted to increase its security right, we think to achieve the same result—that is, denial of access by an employee association.

Senator MARK BISHOP—Is this code for attempting to prevent representatives of labour organisations from boarding ships?

Mr Kilner—I am not trying to get to intent, but the outcome was that—the denial of labour organisations getting on board those particular vessels.

Senator MARK BISHOP—I understand. So the relevant employee organisation complained to you?

Mr Kilner—Yes.

Senator MARK BISHOP—What happened then?

Mr Kilner—We have written to the respective parties involved and we have also formed this working group to see whether or not there is a process by which we can tighten up regulations so that such activity does not occur. That is with regard to Australian regulated organisations. One of those events involved a foreign flagged vessel. As a result of that an investigation has been concluded. In fact I am about to write to the flag administration involved concerning that particular ship.

Senator MARK BISHOP—So the complaint was made by the employee organisation. You have done an investigation and you have set up a working group. Will the Inspector of Transport Security be involved at all?

Mr Kilner—No.

Senator MARK BISHOP—Why is that?

Mr Kilner—The Inspector of Transport Security can get involved in whatever matters the inspector chooses to.

Senator MARK BISHOP—Would a separate complaint have to be made to his office?

Mr Yuile—No. I think the issue of the role of the inspector would be one for the minister to decide. It is a judgment for the minister. The direction would come from the minister.

Senator MARK BISHOP—Why is that?

Mr Yuile—Because that is the way the arrangements have been set up. Clearly the Office of Transport Security has a range of mechanisms in place to, in the normal course of events, pick up complaints, pick up issues and investigate concerns that airline operators, airports or others might raise. The position of the inspector was set up to inquire into major transport security incidents and was always set up on the basis that the minister would be the person who would direct the work of the inspector. It is not a full-time position that sits in the department and goes over the operations of OTS on a daily basis, because that is what the OTS was set up for, if I can make that distinction.

Senator MARK BISHOP—The minister has discretion to determine whether the inspector would become involved or not?

Mr Yuile—It would be the minister's decision, yes.

Senator MARK BISHOP—Do any guidelines exist to guide him in making his decision?

Mr Yuile—No, not as such. As I was saying earlier today, as a result of those preliminary consultations that the inspector undertook and also as a result of our own further inquiry, we are now working on legislation to clarify the role of the inspector and also to protect the information that might be collected in any inquiry that he or she might undertake in future.

Senator MARK BISHOP—When do you think those amendments might come forward?

Mr Yuile—It would not be amendments, it would be new legislation. We are in the process right now of consultations with state and territory authorities and also with industry, as are the Commonwealth authorities, with a view to finalising our drafting instructions. I would expect that the legislation would come forward in the spring sittings.

Senator MARK BISHOP—If there was a repeat of the incident that occurred at Wallaroo, whereby a ship operator sought to deny access to the ship to a labour union official but used the security legislation as the guise, if you like, to do so, to get the inspector involved would require a direction from the minister. Is that correct?

Mr Yuile—Yes. I am not suggesting that the issue is not an important one for the seafarer concerned, and I think it is the sort of issue that needs to be addressed in an administrative sense around the implementation of the code or the application of the code with respect to the issue that you might be discussing. It does not sound like a major security incident as such.

Senator MARK BISHOP—I agree with you. I would have thought it is a routine industrial matter. There is a dispute as to a legal entitlement of an official of a labour union to have access to a worker.

Mr Yuile—I would not have expected that to be one that an inspector of transport security would be involved with.

Senator MARK BISHOP—No. Where would you normally expect that to be resolved—through the Industrial Relations Commission?

Mr Yuile—Mr Kilner probably has a better feel for it than I have. I guess in the first instance it will be taken up with the owner of the vessel, if it is about access to the vessel itself, or the captain; I am not sure.

Mr Kilner—If the matter involves the right of access by a union official to an Australian facility, they have the usual processes—the industrial relations process—to gain access to members under the industrial relations legislation, whether state or Commonwealth. I think that would be an issue for DEWR, in essence, to provide information in regard to the rights and processes.

With regard to a foreign flag vessel, that means it needs to be taken up with the foreign flag. In this case it could be an issue that is raised by, for example, the International Transport Workers Federation with the flag involved. We have today signed a letter going to that flag to raise their awareness of the circumstances involved and seeking some information from them in regard to it. That is about the limitation that the Australian government can take regarding a foreign flag vessel.

Senator MARK BISHOP—In this discussion, if the operator of the foreign flag vessel characterises the matter as a security matter, and the official of the labour union or the employee organisation characterises the access as a routine industrial relations matter—so you have both legs of the story—what and how is DOTARS involved in this?

Mr Kilner—Our concern is that there may have been an abuse of the security provisions in regard to raising the security level of a vessel to deny access. There is a factual matter that needs to be resolved firstly and that is whether or not the flag actually raises the security level and that is what we have gone to the flag administration to find out, as well as to advise them of the details of the circumstance. The flag administration is responsible for the regulation of the security plan for that foreign flag vessel and that then may alert that flag administration to review the security processes being undertaken by that foreign flag vessel.

In regard to our administration, what we can do is note the particular ownership arrangements for that vessel or other vessels and ensure that we monitor that vessel or other vessels when they next come to Australia. So there is a process that we can undertake when the vessel is in an Australian port, but we are limited in what we can do in regard to the application of the security plan of a foreign flag vessel.

Senator MARK BISHOP—In July last year, the government established the task force on maritime security. Does that task force continue to meet on an ongoing basis?

Mr Kilner—The task force I think you are referring to is the one that was established to look at offshore oil and gas facilities. Effectively it wound up with its report to government and the government announcement on 15 December. However, there is an interdepartmental committee chaired by the Department of the Prime Minister and Cabinet that continues to meet in regard to the implementation arrangements of the government's announcement.

Senator MARK BISHOP—Were its terms of reference limited to security on oil and gas offshore?

Mr Kilner—Yes, Senator.

Senator MARK BISHOP—Who was involved in that—Commonwealth agencies, yourselves, state agencies, private operators?

Mr Kilner—The task force was headed by Mr Rob Tonkin and was administered by the Department of the Prime Minister and Cabinet. It was made up of a full-time body staffed by Customs and Defence and had a range of other organisations, including our own, who met regularly with the task force. There were regular task force meetings during that process. The task force undertook a number of consultations with industry and others through its deliberations.

Senator MARK BISHOP—And it continues to meet but really to monitor implementation.

Mr Kilner—No, the task force has wound up. There is an interdepartmental committee now meeting to implement the arrangements.

Senator MARK BISHOP—I take it the department is aware of the Australian Strategic Policy Institute report of 19 April, *Future unknown: the terrorist threat to Australian maritime security*.

Mr Kilner—Yes.

Senator MARK BISHOP—Has the department considered any of the recommendations contained in the report?

Mr Kilner—We have read the report with interest and have looked at the range of recommendations made in it. We have also met on two occasions with the authors of the report.

Senator MARK BISHOP—Post 19 April?

Mr Kilner—Once prior to 19 April and once on 26 or 27 April at a maritime security forum that was conducted in Melbourne.

Senator MARK BISHOP—Shortly after the report was released, the following day, a spokesman from the Deputy Prime Minister's office said that it was unlikely the government would adopt the recommendations in the ASPI report. Is that correct?

Mr Kilner—I do not recall those words.

Senator MARK BISHOP—A spokesman said:

These reports are always good to look at and we do take them seriously ... we're continuing to look for any holes that might emerge in our maritime security net.

Are you aware of those comments?

Mr Kilner—Those ones I am, yes.

Senator MARK BISHOP—Who made those comments, do you know?

Mr Kilner—I think it was someone in minister's office.

Senator MARK BISHOP—My understanding is that the ASPI report specifically identifies problems with supply-chain security. Is that correct?

Mr Kilner—I think there are 26 recommendations. I do not have a copy of the report with me but, yes, I believe it did look at the issue of supply-chain security.

Senator MARK BISHOP—In the discussion we have been having for the last half an hour or so, most measures focus on intermediate stages in the chain—port terminals and ships. Have you identified the security risks of inland carriers and freight integrators?

Mr Kilner—Not specifically.

Senator MARK BISHOP—Has DOTARS itself conducted any evaluation of supply-chain security?

Mr Tongue—We have certainly indicated to ASIO areas that it might like to look at in the development of relevant threat assessments. As we explained earlier, those threat assessments are used, if you like, to guide us so that we do not come in with a heavy hand where it might not be necessary or alternatively do not under do it where it may be necessary.

Senator MARK BISHOP—Ms McIntosh said that, whilst a significant degree of work had been done on the rail side, there had been, I think it was agreed, minimal work done on—

Mr Tongue—That is true. In our processes, as those threat assessments come out—as the thinking between ourselves and Customs firms up—then I would be expecting that. If it is necessary for us to take some steps, if you like, going down the supply chain on the land transport side, or for Customs to do some things, we would start to look at that.

Senator MARK BISHOP—But you have not yet been asked or directed to do that, have you?

Mr Tongue—No. Nor have we felt until we saw this threat information that we had to do something now. We have not felt, to date, an urgent need to get something under way straightaway. We are trying to sort through, in this complex area, how we do the right thing in the right way.

Senator MARK BISHOP—In terms of the supply chain between beginning and ending?

Mr Tongue—Yes, that is right.

Senator MARK BISHOP—At best, a work in progress.

Mr Yuile—As you would have heard earlier, there is also significant state and territory involvement in those issues. It is not a straightforward thing, as you heard in relation to land transport. It is important to say that there has been very good cooperation and a good level of exchange of information and understanding about some of these issues and how we can constructively address them against the risks and risk assessments and where we can take mitigations that make sense in a security context.

Senator MARK BISHOP—Turning to aviation security, is the aviation security identity card reissue now complete?

Mr Tongue—The initial process of reissuing around 65,000 cards is now complete. However, decisions that were implemented through the new Aviation Transport Security Act

mean that additional cards are being issued to regional airports and background checking has been extended to all pilots. That process is in train now.

Senator MARK BISHOP—So 65,000 ASICs were issued. Is that right?

Mr Tongue—Yes. It was in that order.

Senator MARK BISHOP—What was the cost of that?

Mr Tongue—I think an ASIC was coming out at around the \$118 mark.

Senator MARK BISHOP—Over five years?

Mr Tongue—Over two years for ASICs. They are on a different reissue cycle to maritime security, reflecting the different threat environment and the different risk assessment.

Senator MARK BISHOP—So it is \$185 multiplied by 65,000 over two years?

Mr Tongue—It is \$118 or \$120 multiplied by 65,000.

Senator MARK BISHOP—How many more do you think will need to be issued each year from now on?

Mr Tongue—In the next reissue I think there will be in the order of 35,000 or possibly 40,000.

Senator MARK BISHOP—Another 35,000?

Mr Tongue—Yes. There are 35,000 pilots plus the airports. We are still tacking down the final airport number, so it could be as high as 45,000. Soon after that issue of new cards we will go into the reissue of the 65,000. So it will be on a cycle.

Senator MARK BISHOP—So there will be around 110,000 all up over each two-year period?

Mr Tongue—Yes.

Senator MARK BISHOP—How many existing employees were affected by adverse ASIO or AFP checks?

Mr Crombie—The number that has positively come back with an ASIO PMV check I believe is very low, if any.

Senator MARK BISHOP—‘Positively come back’—what does that mean?

Mr Crombie—That means they have come back with a hit on the ASIO computers for a PMV record.

Senator MARK BISHOP—PMV?

Mr Crombie—Politically motivated violence. The criminal record checking, though, is a bit harder to determine because different jurisdictions will come back with a different suite of crimes. For example, in a reissue for airports for somewhere like Sydney airport, out of 18,000 or thereabouts, initially the number that comes back for the airport to sift through could be as high as a couple of thousand. But those records that come from the state police will include everything, including very minor charges—DUI and the like. The airports then sift them down to perhaps a handful out of the 18,000.

Senator MARK BISHOP—In total, how many were adversely affected by the AFP-ASIO checks?

Mr Tongue—I think we will have to take that one on notice if you want a really accurate number.

Senator MARK BISHOP—Will you take that one on notice?

Mr Tongue—Yes.

Senator MARK BISHOP—Can you give me an indicative number for those noted as PMVs?

Mr Crombie—My understanding is that it is at zero at this stage, but we will take that on notice to clarify it.

Mr Tongue—We will have to talk to ASIO about that one.

Senator MARK BISHOP—Without giving away any security matters, can you outline how this process is managed?

Mr Tongue—The issue of the cards is managed by an issuing authority that in the aviation industry may be Sydney airport or Qantas. The issuing authority manages a process of collecting information and providing it to the Australian Federal Police. That, if you like, acts as a window to both the AFP and ASIO. Separately, information is provided to DIMIA. That information is subsequently, in the case of the AFP, provided back to the issuing authority for issuing the card or making a determination in the shades of grey cases about either the issue of a card or a referral to the secretary of the department who has some powers in regard to ASIC. Matters relating to DIMIA might be subject to being followed up by DIMIA and, if it is a genuine immigration matter, we will not necessarily hear about it—nor may the issuing authority or ASIO in that case hear about it.

Senator MARK BISHOP—What is the status of the background checking of pilots?

Ms Dickman—Currently we estimate that out of the 35,000 pilots due to be background checked by 31 December this year about 8,000 have been completed to date.

Senator MARK BISHOP—Do you anticipate that you will have the job done by 31 December?

Ms Dickman—Yes, we are certainly on track for that.

Senator MARK BISHOP—In terms of the aviation transport security regulations which went live in March this year, did any airports in Australia fail to meet their obligations under those regulations?

Mr Tongue—No.

Senator MARK BISHOP—They all fully complied?

Mr Tongue—Yes.

Senator MARK BISHOP—Did the regulations extend to bodies outside the airports—perhaps to operators within airports?

Mr Crombie—Yes. The definition of an aviation industry participant as defined under the act can include somebody who controls or maintains a piece of land within an airport. But the way the act and regulations have been established, it is the owner of the airport that is defined as a participant. Once the airport is gazetted through the *Commonwealth Gazette* that body is responsible for having in place the transport security program. It is in that area that Ms Dickman's area has been doing the approvals and all of those airports are compliant.

Senator MARK BISHOP—Ms Dickman, you would deal with the owner of Sydney airport?

Ms Dickman—It is worth clarifying that of the 185 airports that we now security regulate as from 10 March, 40 of those already had transport security programs in place. Airports such as Sydney were already complying with the transport security program. My work was essentially involved around bringing the 145 new entrant airports up to compliance standards by 10 March.

Senator Ian Campbell—Can I table the response to the question about the Neville committee response regarding trains at level crossings?

CHAIR—Yes.

Senator Ian Campbell—The government is endeavouring to finalise the response as soon as possible.

Proceedings suspended from 6.31 pm to 7.30 pm

Senator MARK BISHOP—I think it was Ms Dickman we were asking some questions of. You said that all of the airports have met their obligations in terms of this discussion. Is that correct?

Ms Dickman—Yes, that is correct.

Senator MARK BISHOP—I understand there were some delays in communications materials being provided to airports. Can you outline what brought these delays about?

Ms Dickman—We are not aware of any delays. We had 145 new entrant airports and 111 new entrant airlines all comply with the requirements to have their TSP in place by 10 March. All of it went according to time lines.

Senator MARK BISHOP—We might turn now to the Regional Skies package, Mr Tongue. There has been \$48 million allocated for the implementation of securing our Regional Skies package for a range of aspects. Can you provide a breakdown of the implementation of the \$48 million for each of the following aspects: firstly, the AFP protective service regional rapid deployment teams?

Mr Tongue—Yes. I might ask Ms Dickman to handle that one.

Ms Dickman—There is \$20.7 million allocated over five years and that funding has been appropriated to the Australian Federal Police, Australian Protective Service, within the Attorney-General's Department.

Senator MARK BISHOP—The new screening capability for the 146 regional airports?

Ms Dickman—Yes. Those measures are outlined on page 29 of the portfolio budget statements for 2005-06.

Senator MARK BISHOP—Which is the figure for the new screening capability for the 146 regional airports?

Ms Dickman—That funding is \$1.82 million this financial year, 2004-05; \$2.7 next financial year; \$1 million in 2006-07; \$706,000 in 2007-08; and \$1 million again in 2008-09.

Senator MARK BISHOP—\$7.2 million in total?

Ms Dickman—Yes.

Senator MARK BISHOP—The joint training and exercise program involving the state and territory police and the Federal Police?

Ms Dickman—That is \$1.7 million in funding per annum, including this financial year.

Senator MARK BISHOP—Closed circuit TV trial?

Ms Dickman—That has funding over two financial years. There is \$0.821 in funding in administered funding this financial year and \$0.5 next financial year, with the total value of the initiative being \$2 million.

Senator MARK BISHOP—That is \$2 million over the two years?

Ms Dickman—That is correct.

Senator MARK BISHOP—Improved security training for regional, airline and airport staff?

Ms Dickman—Yes. The total value of that initiative is \$6.4 million over four years.

Senator MARK BISHOP—Public awareness campaign?

Ms Dickman—That is a million dollars in total over two financial years.

Senator MARK BISHOP—And further funding for hardened cockpit doors, or was that the \$3.2 million you were talking about earlier?

Ms Dickman—The \$3.2 million was originally allocated as part of the enhanced regional aviation package in December 2003, but an additional \$1.5 million has been added through the Securing our Regional Skies initiative.

Senator MARK BISHOP—Roughly \$39.5 million or we will say \$40-odd million.

Ms Dickman—It is actually \$48 million with \$20.7 million going to the Australian Federal Police and roughly \$27 million to our portfolio.

Senator MARK BISHOP—I have only got you down for about \$18 million or \$19 million. I have \$7.2 million for the screening capability, \$1.7 million for the joint training and exercise program, \$2 million for the closed-circuit TV trial, \$6.4 million for the security training, \$1 million for the public awareness campaign and \$1½ million for hardened cockpit doors.

Ms Dickman—The full breakdown of all the measures is outlined in the portfolio additional estimates for 2004-05 on page 48.

Senator MARK BISHOP—That was the February estimates?

Ms Dickman—Yes, that is correct.

Senator MARK BISHOP—Let us talk about the rapid deployment teams. Where are the regional rapid deployment teams located?

Ms Dickman—That program is administered by AFP, so I can give you a broad overview of where it is up to in terms of deadlines, but operational questions would need to go to AFP. Currently there is a regional rapid deployment team based in Melbourne which has been deploying for nearly six months now. It came on line on 4 January this year, and there are three more teams to come on line from 1 July this year.

Senator MARK BISHOP—Where will they be?

Ms Dickman—Western Australia, New South Wales and Queensland.

Senator MARK BISHOP—And will they be based in the capital cities?

Ms Dickman—That is correct.

Senator MARK BISHOP—Perth, Sydney, Brisbane; from 1 July 2005?

Ms Dickman—Yes, that is correct.

Senator MARK BISHOP—What about South Australia?

Ms Dickman—South Australia is actually being serviced by the Melbourne team currently.

Senator MARK BISHOP—And that will continue?

Ms Dickman—Yes, that is correct.

Senator MARK BISHOP—Can you explain in detail what is involved when a rapid response team is required to respond to a security incident?

Ms Dickman—I do not have that level of detail. The actual operational issues around each deployment are managed by the AFP.

Senator MARK BISHOP—Say a threat is reported at Kununurra Airport: what would you anticipate would happen? Do you have that detail?

Ms Dickman—No, I do not. They have all the forward plans as part of the AFP's operational requirements and, given it is an operational matter, we are not given access to that directly.

Senator MARK BISHOP—So all that stuff has to go to AFP, in A-Gs?

Ms Dickman—Yes, that is correct; in Attorney-General's.

Senator MARK BISHOP—Report 400 in the review of aviation security in Australia by the Joint Committee of Public Accounts and Audit was released in June of last year, was it?

Mr Tongue—From memory, about that time, yes.

Senator MARK BISHOP—Has the government responded to that as yet?

Mr Tongue—Not that I recall. Could I take that one on notice, please? There was a small number of recommendations—

Senator MARK BISHOP—There were five recommendations in all.

Mr Tongue—Yes. With everything that has gone on, I cannot recall. Can I take that on notice, please?

Senator MARK BISHOP—You might be able to answer it. The first recommendation was:

When an Australian Government security agency committee is established at a particular airport, the Department of Transport and Regional Services should be responsible for establishing a memorandum of understanding between the Government security agency committee and the corresponding airport security committee.

Has any action been taken on that recommendation?

Mr Tongue—We have now established at all the major airports what are known as Australian government agency airport security committees. We have not proceeded with the MOU yet because we have been focused on some of the meaty implementation issues associated with the new act, but it is an issue on our agenda.

Senator MARK BISHOP—The committee recommended that airport security committees and other essential requirements should be defined in the Aviation Transport Security Regulations 2004. Did that occur?

Mr Crombie—It did not occur per se, because there was a decision taken that the airports were in the best position to determine who should be on those airport security committees rather than prescribing it through regulation, but the regulations require that the airports have a security committee but not its composition.

Senator MARK BISHOP—The regulations prescribed the establishment of a security committee, but power was vested in the airports themselves to determine who would be on the committees. Recommendation 3 was:

The Department of Transport and Regional Services should set a performance standard for the return of expired aviation security identification cards (ASICs) for each card issuing body.

Did that occur?

Mr Tongue—No. We focused first on the reissue process. That is one of the issues we are taking up with the industry now.

Senator MARK BISHOP—When will that particular recommendation be looked at?

Mr Tongue—I would expect as we put through this new block of people that will be throwing up some administrative issues for us. That is a policy question we will work through in that process over the coming months.

Senator MARK BISHOP—No. 4:

The Department of Transport and Regional Services should require aviation participants to include in their transport security programs compulsory initial and ongoing security awareness training for airport security identification card holders who have not received security training as part of their normal duties.

Was that recommendation accepted?

Mr Tongue—Through the Securing our Regional Skies initiative, we have done a range of awareness training for aviation industry participants, airports. As part of the roll-out of that extension of the ASIC regime, Ms Dickman's team is doing that work with all the participants.

Senator MARK BISHOP—That work is under way, is it?

Mr Tongue—That work is under way.

Senator MARK BISHOP—That recommendation has been accepted in principle?

Mr Tongue—Mr Crombie is telling me that the regs also require it.

Mr Crombie—Through the transport security programs the airport operators are to identify what security awareness training is being given to those staff who have a legitimate requirement to have security training. ASIC holders would fall into that class.

Mr Yuile—I think you can say it has been actioned and implemented.

Senator MARK BISHOP—Can you take on notice, in a more formal sense, when the government will respond to the recommendations?

Mr Yuile—Certainly.

Senator MARK BISHOP—I take it the government has not formally responded as yet.

Mr Yuile—I am not sure. Is this the follow-up to the ANAO report on aviation security?

Senator MARK BISHOP—Yes.

Mr Tongue—JCPAA.

Senator MARK BISHOP—It is the Joint Committee of Public Accounts and Audit review of Audit Report No. 26: *Aviation security in Australia*, which was in turn an audit report.

Mr Yuile—Yes, that is right. The action is to implement it or respond, as appropriate. My recollection of the response to the second ANAO report was that we accepted the recommendations and were proceeding to implement in the context of this new aviation security framework. That was one of the issues we debated with the ANAO, the movement from the old Air Navigation Act to the new Aviation Security Act and the regulations that sit under it. There is action on it and, you are quite right, Mr Tongue has already gone through the range of actions either we have taken or we have in train. That is part of the implementation of the new act and framework. We are still implementing and we still have to have those in front of us in terms of our work program, but I do not know that it is, as it were, a government response. It is our response.

Senator MARK BISHOP—It is your response. In that case, perhaps you could give me perhaps a more detailed written response as to what has happened to each of the recommendations.

Mr Tongue—Certainly.

Senator MARK BISHOP—We turn to page 18 of the PBS, table 2.4. There appears to be a postponement of funding from 2004-05 to 2005-06 for a range of aviation security enhancements, \$800,000 in assistance for regional passenger aircraft and \$2 million for regional passenger screening. What specifically is this funding for?

Mr Tongue—The aviation security enhancements for regional passenger aircraft is that hardened cockpit door initiative we mentioned earlier. There has been, for some of the airlines, delays in sourcing the doors because of the global requirement for them. For some aircraft types there is a need to modify kits to fit the aircraft. For some aircraft types we are still discussing with the industry whether, indeed, they can source kits. There are one or two particular aircraft types that are really difficult for us, so we have moved money out to cover those delays. Regional passenger screening is a product of a tender process. Vicki, do you want to jump in and explain that?

Ms Dickman—We have reprofiled the money so that we can maximise the training that we provide next financial year. Also what we wanted to do was have the timing of the actual tender process that we went through to source the hand-wands that are required for this initiative fall outside the Christmas-New Year period to maximise the number of tenderers that we received.

Senator MARK BISHOP—When you say reprofiled money, what does that mean?

Mr Yuile—We have pushed it into another year.

Senator MARK BISHOP—It has been appropriated to be spent in the following year. Is it lost?

Ms Dickman—No.

Mr Yuile—No. You have to seek the concurrence of the minister for finance to process what is called rephasing or pushing the money—

Senator MARK BISHOP—That has been sought and granted?

Mr Yuile—Yes.

Ms Dickman—Yes, that is correct.

Senator MARK BISHOP—What specific airports are affected by this blow-out on the regional passenger screening?

Ms Dickman—All the airports that were new entrants to the security regime. Those 145 airports that had their transport security programs approved on 10 March are eligible to access the hand-wand initiative.

Senator MARK BISHOP—Has a risk assessment been made of these airports, these 145 new entrants?

Ms Dickman—Each of the airports, as part of compiling their transport security program, completed their own customised security risk assessment based on the Australian/New Zealand Risk Management Standard 4360.

Senator MARK BISHOP—Did the airports themselves do it or did the Australian Airports Association?

Ms Dickman—The airports were responsible for conducting their own risk assessment, but each of them was able to access some training provided by the department on how to apply that standard in the context of the new act and regulations.

Senator MARK BISHOP—There was no grant made to the Australian Airports Association to administer and distribute any part of that \$2 million?

Ms Dickman—Not in relation to the transport security programs.

Senator MARK BISHOP—What caused the postponement of the implementation after appropriation?

Ms Dickman—There was not a huge postponement. It was simply lining up where the market was at in being able to supply the equipment we needed for that initiative.

Senator MARK BISHOP—I am sorry?

Ms Dickman—It was where the market, if you like, was up to in being able to supply us with the best value for money in the sourcing of the hand-wands that we needed for the initiative.

Senator MARK BISHOP—What was the problem with the hand-wands?

Ms Dickman—There was not a specific problem with them, but essentially we needed to go through an open tender process. That tender was released at the end of February and closed at the end of March. We have been going through the assessment of that and we are currently in final contract negotiations to finalise that tender.

Senator MARK BISHOP—That is February and March of this year?

Ms Dickman—Yes, that is correct.

Senator MARK BISHOP—How many wands will the government be purchasing?

Ms Dickman—It varies; between three and five per airport. Each of the tenderers has come back with a proposal to supply each airport with a customised kit. That kit will include everything they need to deploy the hand-wands. It is not just equipment; it is things like staging spaces, tables, signage, training and instruction; also, where appropriate under state legislation, security-guarding qualifications for the operators.

Senator MARK BISHOP—Each airport is going to get a series of customised kits, between three and five?

Ms Dickman—Yes.

Senator MARK BISHOP—What is the value of each of those kits going to be?

Ms Dickman—I do not have a final number on that until we have endorsed the final tender and finalised those negotiations.

Senator MARK BISHOP—A maximum of 750 around Australia or thereabouts?

Ms Dickman—It would be in the order of that.

Senator MARK BISHOP—Yes, 145 by five.

Ms Dickman—Yes.

Senator MARK BISHOP—Will you be buying spares as well?

Ms Dickman—Yes. That is part of the reason why we have repurposed the money, because with the technology that is currently available the cost of doing repair work on them is more

expensive than replacing the hand-wands, so rephasing of the money would allow us to buy replacement wands in the out years.

Senator MARK BISHOP—How many have you asked the tenderers to tender on?

Ms Dickman—We have provided the tenderers with profiles of the airports and they have come back with customised responses to that.

Senator MARK BISHOP—A different response for each airport?

Ms Dickman—Yes.

Senator MARK BISHOP—Can you give me an indicative figure, top and bottom, per unit price?

Ms Dickman—I do not have that information, but we would be happy to provide that.

Senator MARK BISHOP—Could you ask for that to be provided relatively quickly?

Ms Dickman—I would like to be able to finalise the contract negotiations, given we are talking to a couple of parties in that process. I do not want to compromise the tender process by putting on the public record the bids from different tenderers.

Senator MARK BISHOP—How many bids have you received?

Ms Dickman—I will double-check the number for you. In total, we received 11 tenders. Of those, we are working with four to get the best value for money.

Senator MARK BISHOP—What was the total government appropriation for this?

Ms Dickman—Over the four-year period—

Senator MARK BISHOP—Was it \$8½ billion?

Ms Dickman—It is in that order, yes.

Senator MARK BISHOP—I think that is right. Are we talking unit cost in hundreds, thousands or tens of thousands?

Ms Dickman—Probably in thousands.

Senator MARK BISHOP—Tender responses are in. When do you think you will be making a final decision?

Ms Dickman—I am hoping that a final recommendation from the tender panel will be with me by the end of this month. We are very close.

Senator MARK BISHOP—What happens after that?

Ms Dickman—Essentially, we start rolling out the kits to each of the airports.

Senator MARK BISHOP—How long do you think that will take?

Ms Dickman—We expect that all of the kits will be in place by about August.

Senator MARK BISHOP—Are they manufactured here or sourced offshore?

Ms Dickman—It is a combination in the tenders.

Senator MARK BISHOP—All plans going to current time lines, you think you will have the wands in place at all the regional airports by the end of August?

Ms Dickman—Yes, that is correct.

Senator MARK BISHOP—Mr Tongue, you had a lengthy discussion earlier with Senator O'Brien on security at airports, mainly to do with cocaine and Indonesia. I do not really want to go over that ground, so I will try and sieve my questions. What is the current rate of screening of airside staff at each of the capital city airports?

Mr Tongue—I would need to take that on notice.

Senator MARK BISHOP—Is it anticipated to be different at each airport?

Mr Tongue—There are regimes for inspection. For example, there is a particular regime at Sydney and another regime at Melbourne, depending on the circumstances of the airport. I would like to take it on notice so that I can break down the different elements of the regimes.

Senator MARK BISHOP—Do the airports themselves determine their own regime for the screening of airside staff?

Mr Tongue—Under the act, the airports are responsible for developing their transport security programs; so, in the sense that they formulate their programs against the regulations, yes.

Senator MARK BISHOP—But this screening is currently going on at each airport?

Mr Tongue—At the major airports, there are various processes of random—I would use the term 'inspection' rather than 'screening'. Screening connotes walking through the metal detector. There are different inspection regimes of ASIC wearing, of vehicles, of arrangements in the workplace and so on. I would need to take that away, I think.

Senator MARK BISHOP—Could you take on notice where we are at with the current rate of screening for each capital city airport?

Mr Yuile—Rate of inspection. You can use that word 'inspection', because—

Mr Tongue—Staff who go into the sterile area—that area where people are physically getting into the cabin of the plane—are screened, unless they receive an exemption from screening. That may be related to the nature of their work. A handful of Australian government employees, for example, are exempted because of the nature of their work.

Senator MARK BISHOP—Would that apply to airline flight staff—the people that open the doors on aircraft when the plane stops?

Mr Tongue—Under the new act, we have tightened up that regime, so airline flight staff are screened.

Senator MARK BISHOP—I presume your discussions are not restricted to Qantas. You would be dealing with all—

Mr Tongue—No, we deal with all RPT—regular passenger transport—operators, including 40-something international airlines.

Senator MARK BISHOP—What options are being discussed?

Mr Tongue—We are looking to some models that have recently been implemented overseas around the issue of airside screening. There is a global movement now towards introducing airside screening measures. Canada, for example, has a random process. The

United Kingdom—certainly at Heathrow—has a particular process that it uses. Hong Kong is another one. We are currently looking in the context of our international obligations, as well as some domestic developments, about how we might implement it. It is known as airside screening, but I would broaden it out to say airside screening and inspection regimes.

Senator MARK BISHOP—Are we at the beginning of the process in the major capital city airports?

Mr Tongue—No. Because there are existing random regimes, I would not say that we are at the beginning, but to scale up to the notion of, say, a 100 per cent regime we really need to do some fairly intensive work with airports and airlines and come back to the government because of the significant cost involved. There are also some questions about how far down we would pitch the regime. For example, if we said every airport, including the 145 small ones, that would really change the dynamics of the industry considerably, because of the sheer weight of the cost. We have a little bit of work to nail those money numbers.

Senator MARK BISHOP—How do you define ‘airside staff’?

Mr Tongue—You could say anybody that is inside the fence that does not work in the sterile area at the airport—so that area where passengers are moving into the cabin of the aircraft—or you could choose another definition that lets some categories of people out of the regime where they did not come into contact with the aircraft. You could define it to be only those staff that come into regular contact with aircraft. Those definitions swing numbers from tens of thousands to much higher numbers.

Senator MARK BISHOP—Theoretically, you could go to every person who comes into contact with a plane, including mechanics, engineers, cleaning crew, attendants—

Mr Tongue—That is right. We are trying to tune the regime to the threat assessment, which still has us at a national level of medium in terms of our CT—counter-terrorism—alert level. It is a policy change.

Senator MARK BISHOP—The department is really still reviewing the mechanics of how and if it is going to screen and inspect all airside staff, isn’t it?

Mr Tongue—There was a recent discussion at the International Civil Aviation Organisation—the security experts panel—that highlighted this move to airside screening. We are looking at where we need to be in that regime. If we said, for example, mechanics needed to be screened in the sense that passengers are screened, we would be screening people who are taking their tools of trade through the screening point. If we treated them as we treat passengers, most of their tools of trade would be considered weapons and we would take them away, only to give the same tools of trade back on the other side of the screening point to go and work on the aircraft. That is why I am cautious in my language, in using the term ‘inspection’, because our primary concern is still weapons in the sense of guns, related devices and explosives. That is why there is still talk in the industry about how this regime might work in practice at, say, the Qantas jet base.

Senator MARK BISHOP—Those discussions have commenced and are continuing?

Mr Tongue—Yes.

Senator MARK BISHOP—Would you anticipate they would continue for some time?

Mr Tongue—I hope to be able to get some ‘chopping block’ proposals nipped out reasonably quickly. Then we have to go through a process of discussing the implications, both with the government and the industry, before leaping in.

Senator MARK BISHOP—When you do go through that, when you have a set of chopping block proposals—as you describe them—and you then go through the consultation phase with industry and government, do you currently have power under the act to implement it or do you need to have further legislation?

Mr Tongue—We have a power called an SSD, secretary security direction, that could be used to do things for up to six months. We could use that power to do something quickly; otherwise, we would need to look at our existing regulatory cover to make sure that we are on the right legal footing.

Senator MARK BISHOP—Have you done that work yet?

Mr Tongue—It is in process.

Senator MARK BISHOP—You get advice from A-Gs, do you?

Mr Tongue—Mr Crombie heads a team in the department that is our regulatory cell and, yes, we go to AGD.

Senator MARK BISHOP—There was a report in the *Sydney Morning Herald* on 12 May which stated that Qantas had written to the federal government asking for assistance in seeking to change state based legislation to allow the installation of security cameras, as most states have workplace surveillance legislation that prevents airlines from carrying out covert surveillance inside aircraft. When did the government receive this correspondence from Qantas?

Mr Tongue—I would have to check the exact date.

Senator MARK BISHOP—You have received the correspondence?

Mr Tongue—Yes, we are aware of the correspondence.

Senator MARK BISHOP—What actions have been taken to respond to this situation? Who is involved?

Mr Tongue—The principal carriage on covert surveillance is the Attorney-General’s Department. The reason for that is this issue I raised earlier about existing federal legislation to do with warrants. New South Wales legislation specifically covers covert surveillance in the workplace. That would require Qantas to get a warrant, but if the plane flew from Sydney to Brisbane they would then have to comply with Queensland law. Other states have legislation specifically prohibiting covert surveillance, but again it is mostly by warrant. The question seems to be, ‘If you’ve got enough worry, why can’t you go and get a warrant?’ or should we have a different regime that would automatically allow it? That is an A-G’s policy question.

Senator MARK BISHOP—That is an A-G policy question, not a DOTARS policy question?

Mr Tongue—We have an input, talking to airlines and airports about their practical issues out on the ground, but ultimately surveillance policy is a question for Attorney-General’s.

Senator MARK BISHOP—When you receive that correspondence, what do you do with it? Do you note it and send it on to A-Gs with your view?

Mr Tongue—No. When we received the correspondence we had some discussions with airlines and airports about their concerns, the basis for the correspondence. Mr Crombie and his team looked at the implications for our act and quickly came to the conclusion that we may not be the right place to explore something like that. We contacted the Attorney-General's Department, who really are the lead agency on this, and we are supporting them.

Senator MARK BISHOP—They are the principal agency.

Mr Tongue—They are the principal architects.

Senator MARK BISHOP—You raised the issue about a plane flying from Sydney to Brisbane. That is obviously going to require a whole-of-government approach. Is any consultation taking place with the relevant state and territory governments?

Mr Tongue—I think the Minister for Justice and Customs is planning some consultations with state police colleagues on these issues. It is really a matter for A-Gs, so I will have to refer it to them.

Senator MARK BISHOP—All right. Ms Dickman, going back to that earlier discussion on the costing of the hand-wand units, I think we agreed that with 146 airports there is likely to be in the order of 750 required straight-up and then an additional number for replacement if the cost of replacement was less than the cost of repair. Some \$8.5 million has been appropriated for the purchase of the wands. My rough maths suggests that the figures we are talking about are in the ballpark of \$10,000 to \$20,000 per wand. Is that right?

Ms Dickman—That would be probably a little bit high in terms of the technology. But, as I mentioned before, given we are in the process of finalising those costing negotiations with the tenderers, we would prefer not to put actual figures out at this time. We are happy to give you the results of the tender once it is announced by the government at the end of this month. That funding is also used to cover the cost of training the operators. Apart from the capital items that come with this initiative, there is training provided to each of the hand-wand operators. Each of those hand-wand operators will also go through a background check. In some states there is a requirement, in order for them to be able to operate that hand-wand, that they complete a Certificate II in Security (Guarding) under state legislation. The funding covers the training on how to use the equipment, how to deploy it, how to run through a series of drills and exercises so that the operators are risk-ready and ready to go. It is not just straight capital.

Senator MARK BISHOP—It is capital plus the training, repair and maintenance. Even so, the cost is going to be a damn sight closer to \$10,000 per unit than \$1,000 per unit, isn't it?

Ms Dickman—I may have misunderstood your question earlier on. I thought you were talking about the cost of the hand-wand itself.

Senator MARK BISHOP—I am perhaps unclear—

Ms Dickman—We would be happy to provide you with a full breakdown, once the tender process has concluded. We will give you that breakdown per airport for what they are actually getting, including the training.

Senator MARK BISHOP—Okay.

CHAIR—How does a caterer truck operator or a truck driver get access to an airfield?

Mr Tongue—It depends where the facility is located relevant to the airport. On a tight site like Sydney, for example, the Qantas catering facility is outside the fence line. There is a special roadway. Vehicles are sealed before they go out to service the aircraft.

CHAIR—If you are the driver, what do you have to do to get onto the airfield?

Mr Tongue—You would come to a gate. You would have to display your aviation security card.

CHAIR—Do you swipe it?

Mr Tongue—No.

CHAIR—On the telly you see some people going through a gate and they just swipe it.

Mr Tongue—There are different access arrangements for different parts of the airport. At some gates you will find there is a security guard; at some gates you will find there is a swipe system. It depends a little bit on the nature of the—

CHAIR—At the gates where there is a swipe system, what sorts of people get through there?

Mr Tongue—Only those people the manager of the swipe system gate lets through: for example, a sealed catering truck that has departed Qantas with a known driver.

CHAIR—But, if I borrowed, begged or got someone else's pass and it was a swipe pass, could I get through the gate just by swiping it? I asked this question at an earlier estimates.

Mr Tongue—If you were able to do that, and one of the issues in the management of the ASIC regime is the arrangements to ensure that you are, in fact, who you say you are. For example, the Australian Protective Service that is deployed at major airports checks ASICs on a regular basis. Our inspectors go out to check them and may do a face to ASIC check as well.

CHAIR—But it would be possible to borrow someone else's pass at a specific time, take the risk of a spot check and get on with it?

Mr Tongue—Yes.

CHAIR—If I lose my pass on the way home—I leave it in the taxi—if someone else picks up that pass, can they use it?

Mr Tongue—If they knew what it was and they knew what access rights it had; it would not be immediately obvious to them.

CHAIR—I get home and the next morning I go to work and I wonder what I have done with my pass and I report it. Once it is reported, is it cancelled?

Mr Tongue—There are two different elements to an ASIC. Once it is reported we are principally concerned with the identity issue. The airport or the airline is principally

concerned with the access issue. They have the capacity to immediately cancel all access rights.

CHAIR—On that specific card?

Mr Tongue—Yes.

CHAIR—That is the answer. So if it is reported it would be cancelled but if it is not reported it could continue to be used?

Mr Tongue—That is right. That is why reporting is one of the key requirements for us.

CHAIR—Wouldn't that be a weak link, though, if you really wanted to get onto an airfield?

Mr Tongue—In a lot of our airports the fences are rated at 20 seconds to a minute. They are a device that we use to define a piece of space.

CHAIR—But if you wanted to take a truck onto it for whatever purpose—

Mr Tongue—There was a young person recently at Melbourne who crashed a car through the fence.

CHAIR—But if you did not want to do it in a—

Mr Tongue—If you did not want to do it in a spectacular way, then you would need to go to one of the access points. If you did not have an access card, you would have to try—

CHAIR—No, if you have an access card.

Mr Tongue—If you have stolen or somehow acquired an access card?

Mr Yuile—You would also have to know the gate at which the access was available.

CHAIR—If people are prepared to play the game of playing with luggage, those sorts of people that have a mind to stick drugs in luggage or take drugs or whatever they do, wouldn't they be just as inclined to say, 'Here, mate, you can borrow my pass'?

Mr Tongue—There is some legal action in a court in Brisbane where somebody, an ASIC holder operating a shop, I think it was, lent the pass to somebody else and they are off to court. The penalty for misusing an ASIC is pretty high. There need to be benefits.

CHAIR—That all may be very well, but it would too late, after the damage is done, to say you are going to take him to court.

Mr Tongue—In a big airport, not all passes have access to all areas.

CHAIR—I understand that, but there is no visual inspection if there is a swipe.

Mr Tongue—It varies depending on the access point, and that varies depending on the nature of the services going through that gate.

CHAIR—At Sydney airport, how many of the access points are swipe and how many allow someone a chance to look and see if you have one head and two legs?

Senator Ian Campbell—These are the sorts of questions we have listened to all afternoon. Quite frankly, I think all of these questions about national security and how thorough a policy is should be asked in camera. We are really giving information to terrorists or people who

have sick minds. If you read the whole *Hansard* of this afternoon, you will get a pretty wonderful guide through where we are at with security at every major transport place. It is all good open and accountable government, but I think a lot of this stuff should be dealt with in camera.

CHAIR—That is fair enough; but, with great respect, you would not have to be a genius to work it out.

Senator MARK BISHOP—Could we go back to the wands issue in the 145 regional airports. Is it intended that each consumer be hand-wanded or that they go through the screening units like we have at the entry to the House and the Senate here?

Ms Dickman—I can outline for you the process that we envisage. The actual hand-wand metal detection point would be set up so that you can go through that process of metal detecting whether anyone is carrying anything they should not be carrying. Each airport would deploy a series of tables and some information for people—it would work similar to a walk-through point but it would not be identical to that—so people would still walk up and empty their pockets into trays. They would be hand-wanded, so they are basically frisked without us needing to touch them. Providing the hand-wand does not alarm, they would be allowed to move through to the next area.

The kit that each of the airports gets includes all that—their trestle tables, the signage, the little buckets for people to empty their pockets into. It will include the information cards in a number of different languages as well so that people understand what the process is that they are going through. It will also include some signage for the airport so we do not unnecessarily alarm the public.

Senator MARK BISHOP—Is that system going to be in lieu of those walk-through screens that the major capital city airports have or that they have at the entrance to the House and the Senate here?

Ms Dickman—The current threat assessment indicates that using the hand-wand metal detector to respond to a heightened level in alert is appropriate in the current security environment.

Senator MARK BISHOP—So you are going to have that hand-wand system in lieu of the walk-through screen system?

Ms Dickman—They are defined as two separate processes under the act, so we have some specific regs that relate to the deployment of the hand-wands at regional airports, just as there are specific regs relating to the walk-through screening points that are at specified airports.

Senator MARK BISHOP—At all the capital city airports you have walk-through units. You unload the metal stuff in your pocket into a plastic tray. That goes through. You walk through and either the machine is silent or it beeps. If it beeps you go back and do it again. This system you are talking about in the regional airports is essentially manually run by an operator running the hand-wand over the person from top to bottom in lieu of the screening system?

Ms Dickman—That is correct.

Senator MARK BISHOP—What is going to happen in that situation with cabin baggage that the passenger might have?

Ms Dickman—That can be swiped over as well with the hand-wand. If we were in a heightened state of alert, we would ask the person to open their bag so we could conduct a visual inspection.

Senator MARK BISHOP—So if I had a metal pen or a cigarette lighter or a packet of cigarettes with alfoil or a zipper in my attache case or whatever then the wand would go off?

Ms Dickman—Yes, it would alarm.

Senator MARK BISHOP—Then I would be asked to open the bag for a visual inspection. Is that correct?

Ms Dickman—That is correct.

Senator MARK BISHOP—You would assume that every passenger in the regional airports would be manually hand-wanded by the operator.

Ms Dickman—When the units are deployed, yes.

Senator MARK BISHOP—So there would be a hand-wand operator on duty at all hours that the airport is open for people to board aircraft.

Ms Dickman—The actual unit would be deployed around the times of RPT flights, remembering that a number of these airports only have flights maybe one or two days a week. The system would be set up so that you are creating a cordoned-off area that people can only move into once they have been hand-wanded.

Senator BUCKLAND—With the hand-held wands, who is going to do the screening?

Ms Dickman—The people will be nominated by a combination of the airline and airport staff. So each airport will select appropriate people who would be available in times for deployment. That can be included as part of their normal duties at the airport.

Senator BUCKLAND—Are you suggesting it will be along the lines of check-in people where you go to the counter and say, ‘Give me my ticket and take my bag’? The same staff would do it—or would it be a contract security service?

Ms Dickman—Not necessarily. Each of the airports is identifying and submitting the names of individuals that they would like background checked so that they can then go through the process of being trained to use the hand-wands. Each airport is selecting who they believe are appropriate people to do that.

Senator MARK BISHOP—Going back to Securing our Regional Skies, when I asked you for the break-up of the \$48 million, you said there was \$6.4 million for improved security training for regional airline and airport staff. When I look at transport security, fact sheet No. 1, Securing our Regional Skies, where it discusses the \$48 million, at the bottom of page 2 it has ‘Aviation security training for regional airline and airport staff’, \$6.5 million over four years. That is what you are talking about.

Ms Dickman—Yes.

Senator MARK BISHOP—Is that training in any way linked or related to the training you have been talking about with wands?

Ms Dickman—No. They are separate initiatives. I can give you a breakdown of what is covered in that training, if you are interested.

Senator MARK BISHOP—In this \$6.5 million?

Ms Dickman—Yes.

Senator MARK BISHOP—Yes, if you do not mind.

Ms Dickman—The areas that are covered in the training package delivered for airline and airport staff—and that also includes aviation tenants, so people who have hangars and those sorts of things that are within the airport boundary can also access that training—are the Aviation Transport Security Act and a range of scenarios around identifying suspicious activity, consistent with keeping an eye out for Australia and the work that is being done through the national counter-terrorism arrangements. It also covers the Australian/New Zealand Risk Management Standard 4360, and that is in the context of particular duties at the airport. For example, if you are a groundsman at the airport, it runs through a series of scenarios that would assist you to identify suspicious activity and how to resolve that.

It also covers the national counter-terrorism arrangements in the National Counter-Terrorism Plan so that people are very clear about, if there was something suspicious that they reported, how that would be responded to. It also includes a series of templates that airports and airlines can customise, because clearly they do not want to necessarily hand over the entire transport security program for the airport; they only want to hand over the elements of that program that are relevant to a particular staff member's duties, to give staff only what they need to know.

It covers a series of web links to additional information that is available in the industry and includes a series of what I would call photo galleries that are about different security approaches that are being taken at airports across Australia. That varies from some of the largest airports down to some of the smallest so that airports can identify across the industry the different strategies that are being deployed. It also covers elements of the Australian Protective Security Manual that are appropriate to aviation security.

Senator MARK BISHOP—Thank you for that, Ms Dickman. We can now move to aviation and airports.

[8.24 pm]

Aviation and airports

Senator MARK BISHOP—What is the budget allocation for the group in the 2005-06 financial year, Mr Dolan?

Mr Dolan—It is a provisional allocation.

Mr Mrdak—While Mr Dolan is finding that number, I would like to confirm what I was saying this morning, that all of our budget allocations to this stage are provisional, subject to the completion of our business planning process—just with that caveat.

Senator MARK BISHOP—Understood.

Mr Dolan—For next year, at this point the provisional allocation is \$13.7 million.

Senator MARK BISHOP—Where can I find that figure?

Mr Dolan—It is not specified in the portfolio budget statements.

Senator MARK BISHOP—Is it spread across a range of outputs?

Mr Dolan—Yes, several.

Senator MARK BISHOP—Can you give me the break-up and where we can find the various amounts that comprise the \$13.7 million?

Mr Dolan—The place to look is page 28, output 1.4.2, Aviation and airports. That includes the overheads.

Senator MARK BISHOP—We are talking about the figure of \$23.7 million for the forthcoming financial year?

Mr Dolan—That is correct. But, as Mr Mrdak has indicated, there is still some discussion about what the final allocation will be to my division.

Senator MARK BISHOP—Can you give me the break-up of where that \$23.7 million will be spent?

Mr Dolan—Not precisely at this point. In broad terms, about one-third of it will go to our aviation operations activities, which is to say regulatory policy in relation to CASA, Airservices, noise management and related issues. Slightly over a third will go to airport planning and regulation and less than a third will be allocated to aviation markets. There are three branches.

Senator MARK BISHOP—What is aviation markets?

Mr Dolan—That is aviation policy, particularly economic policy in relation to the aviation industry.

Senator MARK BISHOP—National and international?

Mr Dolan—International, domestic. It also incorporates a range of the department's activities in relation to broader international activities including APEC.

Senator MARK BISHOP—Is aviation markets the main policy unit to go to for advice when we seek to have negotiations with other countries, in terms of access and the like?

Mr Dolan—That is the area that advises government and enters into negotiations with countries on aviation access.

Senator MARK BISHOP—What are the current staffing levels in Aviation and Airports?

Mr Dolan—As at 30 April, the full-time equivalent of 102 staff.

Senator MARK BISHOP—How does that compare with the start of the financial year?

Mr Dolan—I am not sure that I have that number. I am relying on memory. My recollection is it was of the order of 93 at the beginning of the year. It was a little hard to track because in the restructure of the department we acquired functions from several different areas. I can take that on notice and get you an answer.

Senator MARK BISHOP—Are these mostly policy people?

Mr Dolan—In a broad sense, probably about two-thirds of the people we have would be in policy or policy related activities and about one-third regulation in relation to airports.

Senator MARK BISHOP—If we turn to table 2.2 on page 15 of the PBS, it refers to the extension of the payment scheme for aircraft en route charges. Then page 249 of Budget Paper No. 2 has a discussion on that. It appears from page 15 of the PBS that the payment scheme has only been extended by one year. Can you confirm this?

Mr Dolan—That is correct.

Senator MARK BISHOP—Why is that?

Mr Dolan—That is a decision of government.

Senator MARK BISHOP—What was the rationale behind the government's decision?

Mr Dolan—The government has indicated that the extension is for one year and that there will be a review of Airservices charges before any further decision is made.

Senator MARK BISHOP—They are going to do a review. Who is going to conduct that review?

Mr Dolan—The department.

Senator MARK BISHOP—What is the process? Do you call for submissions from those organisations that pay the levy?

Mr Dolan—That would be our expectation.

Senator MARK BISHOP—Who is that? The aircraft companies?

Mr Dolan—Largely the aircraft companies, but we would seek the views of other stakeholders such as airports as well.

Senator MARK BISHOP—Is there an issue or a problem that has caused the government to seek a review of this practice?

Mr Dolan—The program was originally announced by the government for a 3½-year period, and the government, in considering it, came to this view that it would extend for a year and undertake a review.

Senator MARK BISHOP—Has it been an unpopular levy?

Mr Dolan—I am sorry? This is a payment to airlines.

Senator MARK BISHOP—I beg your pardon. Yes, I am sorry.

Mr Mrdak—No. It is extremely widely supported within the regional aviation industry. As Mr Dolan said, this was a scheme put in place in the wake of the Ansett collapse and the difficulties that the regional aviation industry was having at that time. It has proven to be quite important for a number of regional carriers, in terms of their ability to provide services on routes to regional Australia. As Mr Dolan has indicated, the intention is that the government will look at this in the context of a broad review of Airservices charging, to have a look at the full impact of Airservices charging on regional operators, so that we have a comprehensive

picture coming back to the government for the next budget process which enables them to reach a decision on this and other pricing issues.

Senator MARK BISHOP—Is it not just the payment is out, back to airline companies in this particular scheme; it is the whole charging regime that Airservices Australia conduct?

Mr Mrdak—We have been asked to report back to government in relation to the Airservices charging regime, particularly its impacts on regional public transport aviation. This is one of the issues—the continuation of the on-route subsidies—that the government wishes to pick up in that broader charges review that it looks at in the context of the next year's budget.

Senator O'BRIEN—Will they be looking at location-specific versus network pricing for the Airservices charges?

Mr Dolan—Not that I am aware of. It is hard to predict what sorts of comments will come in from airlines when they wish to provide comments on these things. We have not finalised the terms of reference at this point.

Senator O'BRIEN—When will they be finalised?

Mr Dolan—Within a week, maybe a week and a half.

Senator MARK BISHOP—Will they be then made public?

Mr Dolan—Yes.

Senator MARK BISHOP—Can you provide a copy of the terms of reference to the committee when they are publicly available?

Mr Dolan—Yes, Senator.

Senator MARK BISHOP—When do you think that inquiry will conclude; by the end of the year?

Mr Dolan—By the end of the calendar year certainly.

Senator MARK BISHOP—End of the calendar year, because it has to feed into next year's budget process.

Mr Dolan—Correct.

Mr Mrdak—It is designed to feed into the budget process.

Senator MARK BISHOP—If you turn to table 3.2.1 on page 29 of the 2005-06 PBS, the implementation of noise amelioration for Adelaide Airport and Sydney airport, that seems to indicate an approximate \$6.5 million variance to the budget in the 2004-05 year; in particular, table 2.2 on page 41 of the 2004-05 PBS. There seems to be a variance of \$6½ million in the two years for the implementation of the noise amelioration programs of those two airports. Is that simple comparison correct?

Mr Dolan—Certainly as the programs wind down, the level of expenditure was lower than was anticipated when those estimates were done in the previous year.

Senator MARK BISHOP—Yes. The figure seems to be a difference of \$6.5 million this year to last year.

Mr Dolan—It is a matter of timing. The original expectation was that the program would finish a little earlier than it actually has turned out, so there was some rephasing of expenditure between years.

Senator MARK BISHOP—Rephasing expenditure?

Mr Dolan—Because there were some activities that were not completed in 2003-04 and 2004-05, the program has been extended into 2006-07.

Senator MARK BISHOP—When you compare—if ‘rephasing’ is a good word—the 2004-05 budget for Adelaide and Sydney was \$22.7 million. The actual 2004-05 was \$16.3 million, so there is a difference there of about \$6.2 million—\$6.4 million was the variance. But the 2005-06 budget is \$11.3 million. So it is not a postponement of outlays, or a rephasing; it is a reduction in outlays.

Mr Dolan—Are we talking about the Adelaide program specifically?

Senator MARK BISHOP—No. We are talking about both. Adelaide has gone from a budget of \$13.5 million in 2004-05 to an actual of \$9 million—a reduction of \$4.5 million—and a budget in 2005-06 of \$7 million, and likewise for Sydney. It appears to be a reduction in spending in the two noise amelioration programs over the two-year period, not a delayed implementation.

Mr Dolan—A reduction in expenditure, that is correct, but there has been an increase in what would have been the out years in relation to that program.

Senator MARK BISHOP—Where?

Mr Dolan—In terms of the Adelaide program there was about \$2.7 million below the original estimate in 2003-04 which was carried into the current year.

Senator MARK BISHOP—That would still take it up, even if you put \$2 million on, to the actual 2004-05; \$9 million plus \$2 million is \$11 million, still less than the \$13.5 million that was budgeted.

Mr Dolan—Yes. I am sorry. I am trying to establish what the anomaly is you are trying to address.

Senator MARK BISHOP—The anomaly I am trying to address is that, in terms of the two noise amelioration programs in Adelaide and Sydney, there appears to have been, in the financial years 2004-05 and 2005-06, a significant reduction in amounts to be expensed. I am asking why is that the case? Your first response is there had been a rephasing.

Mr Dolan—Yes.

Senator MARK BISHOP—Then you agreed there was an actual reduction and now you have suggested there was something going on in the out years and when I look at the budget figures in the PBS for the out years I cannot see anything going on at either airport. What I want to know is, has there been a reduction in outlays in the noise amelioration programs in the two airports and, if the answer to that is yes, why, and what has occurred?

Mr Dolan—Probably the best way of looking at it is page 18.

Senator MARK BISHOP—Of the current figures?

Mr Dolan—‘Movement of administered funds between years.’

Senator MARK BISHOP—Yes, I have that.

Mr Dolan—In 2004-05, a reduction of \$7.25 million for Adelaide.

Senator MARK BISHOP—Outcome 1, yes.

Mr Dolan—\$7 million transferred in movements of funds between years, ‘rephasing’ as we have been calling it, in 2005-06 and a further 215 in 2006-07.

Senator MARK BISHOP—Those two figures for Adelaide and Sydney, in brackets—\$7.2 million and \$1.9 million, does that mean the funds had been appropriated, were not spent and are going to be spent in the 2005-06 year?

Mr Dolan—In 2005-06 or, in the case of Sydney, in 2006-07, and a small amount in 2007-08.

Senator MARK BISHOP—So you are carrying the money over? I understand what you are saying. In terms of the original noise amelioration programs at the two airports, has there been any change in substance in the programs from when they were first created?

Mr Dolan—The basis on which insulation was offered has not changed. The Australian Noise Exposure Index for the airports varies slightly from year to year, so different properties come into the problems with the scheme. Essentially, it is a program that was designed in a particular way to achieve a particular purpose and has only changed at the margins as a result of different properties coming into the noise contours.

Senator MARK BISHOP—What was the original time plan for the complete implementation of the program?

Mr Dolan—The original time frame was complete implementation for Sydney in 2004-05.

Senator MARK BISHOP—And Adelaide?

Mr Dolan—Adelaide, I think, was 2005-06, but I would have to check.

Senator MARK BISHOP—Have both of them blown out by just one year?

Mr Dolan—It has certainly been a longer program than was originally envisaged, yes.

Senator MARK BISHOP—How long was it originally envisaged to be?

Mr Dolan—This is something that I am still becoming familiar with, as I have acquired it with the restructuring. My recollection is that the program was initially started in the late 1990s, perhaps 1998.

Mr Mrdak—The Sydney program was initiated in 1995.

Senator MARK BISHOP—Will both of them be finished by the end of the financial year 2006?

Mr Dolan—Sydney will be finished in 2006-07, which is what that rephasing showed, and Adelaide will be finished in 2007-08.

Senator MARK BISHOP—What has been the cause of the delay? Was the original planning in error or is it a more significant job than was anticipated?

Mr Dolan—To a considerable extent, it is a demand-driven program, in that people have to apply to have their properties insulated. To some extent, we are in the hands of the timing of those who are doing work on their properties. Sometimes they wish to do it in association with other work that they are doing in terms of property improvement. In a number of cases, assessments that have required a revision of the scope of works, particularly for public buildings, have meant that additional longer term work has been required than was originally expected.

Senator MARK BISHOP—In a press conference conducted by the Deputy Prime Minister, Mr Anderson, on 9 May, he stated in relation to a cabinet meeting regarding the liberalisation of the Pacific air traffic rights:

Look, we had a very useful preliminary discussion, very useful and wide ranging preliminary discussion about the outlook for international aviation and the Government's policy approach in Cabinet today. That forms a useful backdrop for the second stage of the consideration which goes to the heart of particular policy decisions.

He went on to say:

I think probably, as I outlined it, sometime before the end of the financial year I'll take a proposition to Cabinet.

Can you elaborate on the outlook for the international aviation industry that the minister referred to?

Senator Ian Campbell—He referred to cabinet discussions. There is no way any officer at this table can seek to elaborate on what was discussed in cabinet. You could ask the department to give their own views on their outlook for international aviation but not to elaborate on the views of the minister, because I do not think any of these officers were in cabinet on that day.

Senator MARK BISHOP—It is appropriate for me to ask for the department's views on the international aviation industry, particularly as the Prime Minister publicly opened the discussion and referred to what was said in cabinet.

Mr Mrdak—It is very difficult to give you a short summary of developments in the international aviation industry. Clearly, it remains a highly volatile industry. While there has been a return of traffic levels to former levels—pre-2001 in a number of sectors—it remains an industry which faces a number of short- to medium-term difficulties, not the least of which is the escalating price of fuel. The ability of carriers to position themselves vis-a-vis fuel prices is obviously a major determinant.

To give you a brief picture, there are a number of developments, particularly in the Northern Hemisphere, which I think will shape the future of international aviation for many years. One of those developments is the increasing consolidation of European carriers. In the last 12 months Air France and KLM have merged. A number of carriers in Europe—what are called legacy carriers or full-service carriers—are now looking at their future, as to whether they form larger groupings. Similarly, there is a situation emerging of very intense competition, particularly in Europe and increasingly in South-East Asia, from what are called low-cost carriers—point to point start-up carriers, utilising one piece of equipment on direct

services point to point—which is clearly having an impact on a number of legacy carriers in relation to yields and market.

It is a volatile picture, with some return to profitability by some carriers and deep losses by others. If you look at the US aviation industry, the bulk of carriers remain in chapter 11 bankruptcy protection. There is only now starting to be some move in the US of carriers looking to merge and to consolidate the industry, but against the backdrop of chapter 11 bankruptcy, which has provided some degree of protection from the normal rationalisation which one would expect in an industry which has continued to lose substantial amounts of money.

The overall picture we see is one of some degree of growth and profitability returning to some carriers, but it is not universal. The analysts' view is that the industry will remain volatile, subject to fuel price shocks and markets increasingly being taken up by low-cost carriers on key routes, with a great deal of apprehension about where the Northern Hemisphere aviation bilateral relationship between Europe and the US may take things and a failure by the US industry to consolidate in the way we would have expected by this point. Is that a fair summary, Martin?

Mr Dolan—I would add that the industry is still coming to terms with the two models for future aircraft use—the hub based approach using the Airbus 380 or a point to point approach using such products as the foreshadowed Boeing 787—and how that is going to play out in terms of international passenger movement. Which particular hubs come into play and so on is still somewhat uncertain.

Senator MARK BISHOP—The minister has been reported as commenting that granting access to the Pacific was predicated on 'a recovery in the industry following 9/11 and SARS'. How does the department define a recovery? Is it revenue-driven, profit-driven, passenger numbers? Do you have a formula?

Senator Ian Campbell—All of the above!

Mr Mrdak—I do not think there is a set answer to it. There are various parameters which could be used to determine whether the industry is in recovery. As I said, while there is certainly profitability in some sectors of the industry—some carriers that are profitable—there are a large number of carriers that are not, yet traffic is at record levels. In many cases, while traffic has been growing, yields and profits have been falling. There are many definitions of what you call 'recovery'. What I have tried to briefly paint for you is a picture of an industry which is still going through a great deal of change.

Senator Ian Campbell—The other issue that a lot of people overlook is return on capital. You can easily run a company on profits for a short time, but if you do not get returns on capital it is not sustainable.

Senator MARK BISHOP—I accept that, obviously, and I accept Mr Mrdak's qualifications. I raised this issue because the minister said there is a recovery in the industry, and I am trying to find out what the minister means by 'a recovery in the industry'.

Mr Mrdak—A lot of analysts are saying that the industry has recovered in the sense that traffic levels have recovered to pre-2001 levels on a number of sectors. As I say, that has not

always been accompanied by a return of profitability and certainly not by a return on capital, as the minister has outlined.

Senator MARK BISHOP—Does the department believe that the industry has sufficiently recovered to liberalise access?

Senator Ian Campbell—That is a policy decision before the government, clearly, from the comments of the PM and the minister.

Senator MARK BISHOP—Yes, that is fine. Does the department have a view on that?

Senator Ian Campbell—The department have an opinion. They provide the cabinet with reams of information about these issues and the cabinet have to make the decision.

Senator MARK BISHOP—That is fine. I understand your range of sources of information have come to cabinet. What I am asking is: does the department have a view that industry has sufficiently recovered to liberalise access?

Senator Ian Campbell—The recovery of the market is a good thing for the minister to say. It would probably be a reckless government to say, ‘Let’s throw open or give new access to routes that we have some sort of say over,’ when the world has gone through the September 11 crisis—and the confidence that shook—then Bali only 13 months after it. Clearly, that decision was put off while there was some sort of recovery.

The very fact that the minister and the Prime Minister are both now canvassing publicly the potential changes in international aviation and how that affects Australia and our routes, our economy, our tourism and carriers based in Australia, clearly one of those preconditions has emerged. I think that is the best thing we can say at this stage. I reiterate what the minister has said on a number of occasions which is that we have one of the most liberal aviation regimes on the globe. The government has made it clear that we believe it is in Australia’s national interest. It is clearly one of those. The prerequisite you are talking about is that we are either reaching it or—

Senator MARK BISHOP—Approaching it, yes.

Senator Ian Campbell—Or approaching it. But, again, the issue of return on capital is an important one. All of those factors.

Senator MARK BISHOP—We could pull out a couple of companies—off the top of my head, Qantas, UAE—which have a very adequate return on capital at the moment. Some companies are clearly covering the cost of their capital, so that just confirms your point.

Senator Ian Campbell—Emirates, are you talking about?

Senator MARK BISHOP—Emirates, yes. Qantas is in the country; Emirates is from outside.

Senator Ian Campbell—You would have a fascinating two- or three-hour discussion with the CFOs at Qantas and Emirates and other independent analysts who could probably give you a whole night on whether or not either of those airlines are getting a return on capital that is adequate and which would have you or I invest our own money in the assets they would need.

Senator MARK BISHOP—Yes, I understand that. Have representations been made from other countries or organisations regarding having Pacific access?

Mr Mrdak—Yes, Senator. As you would be aware, we do undertake bilateral negotiations where we trade aviation rights to and from this country and beyond this country for what we seek in terms of equivalent or better rights from those countries. In those negotiations a number of nations have raised with us their desire to have access beyond Australia to the US—the transpacific—as something they would like to negotiate. Australia’s position to date on all those approaches is that we are not prepared to negotiate. The only country where we have taken it to the point of discussion is Singapore.

Senator MARK BISHOP—What other countries have indicated they would like to be involved in those discussions?

Mr Mrdak—Certainly in the last year or so in our discussions with Hong Kong they have made no secret of it, because they have stated publicly their view that in the future they would like to access the transpacific. But there are other carriers in Europe—

Senator MARK BISHOP—Malaysia?

Mr Mrdak—Not of recent years that I am aware of. We have not held recent discussions with Malaysia.

Senator MARK BISHOP—Can you indicate what other countries have made approaches in the last 12 months?

Mr Mrdak—The only one that I am aware of would be Hong Kong. We held air services discussions with Hong Kong last year where they sought to raise that as an area of negotiation which we were not prepared to negotiate.

Senator MARK BISHOP—All right. Have approaches been received from other airlines?

Mr Mrdak—Not to my knowledge. These are government to government negotiations. The only one that I am aware of, as I said, that has raised it with us is Hong Kong. From time to time you will see press articles referring to particular foreign airlines potentially raising interest in operating beyond Australia, but I am not aware if that has been raised formally with us by any other government.

Senator MARK BISHOP—Did Hong Kong, when it approached the government, act on its own behalf on the island of Hong Kong, or did it act as agent for the PRC in these sorts of negotiations?

Mr Dolan—It is a special administrative area of China and has a separate bilateral aviation relationship.

Senator MARK BISHOP—Yes. Does greater European access for Australian carriers still remain a precondition for liberalisation of the Pacific route? Is that still one of the government’s preconditions?

Mr Dolan—The government has indicated that an important consideration in making a decision is the level of access Australian carriers have to Europe.

Senator MARK BISHOP—And that has not changed?

Mr Dolan—There has been movement in the sense that we made progress both with a range of bilateral partners in Europe, particularly the United Kingdom, as well as the European Commission itself on behalf of its member states, in moving towards further negotiations about liberalisation and being more open.

Senator MARK BISHOP—Are those negotiations fluent and ongoing?

Mr Mrdak—We have recently been successful in arranging a date for negotiations with the United Kingdom which are to be held on 20 and 21 June. We are seeking negotiations with a number of other European Community states, coming off the back of initially a horizontal agreement. It was called a horizontal agreement with the European Commission which essentially picks up this issue that we discussed at our last Senate estimates hearing about the European Commission seeking to put in place arrangements which overcome this legal issue about the ability of carriers to operate bilateral rights vis-a-vis community carriers. We have not signed that agreement. We have initialled it, which has paved the way for us to open negotiations or hold discussions with member states, while the European Commission pursues a mandate from its member states to enter into more formal negotiations with us towards a more liberal agreement.

Senator MARK BISHOP—If the initial agreement is signed, does that mean you would then have two sets of negotiations going on; one with member states and one with the EC at the same time?

Mr Mrdak—It depends. If member states give the European Commission a mandate to negotiate on their behalf, we will be negotiating with the commission for a community agreement.

Senator MARK BISHOP—Yes.

Mr Mrdak—But in the interim we are seeking to progress negotiations with both Brussels and the community, depending on what mandate they are given and, at the same time, progressing bilateral negotiations with key bilateral partners in Europe. We are trying to keep going our access to rights while they seek a broader mandate to negotiate a more liberal agreement with Australia on behalf of the community.

Senator MARK BISHOP—All right. If you turn to page 30 of the PBS, table 3.2.1, with the heading Compensation for Land Acquisition Sydney Airport, there is a figure of \$3.4 million. It seems to indicate the department paid that figure of \$3.4 million to Sydney airport in compensation for land acquisition. What exactly does that appropriation pertain to?

Mr Williams—Senator, that relates to a section of land which goes over Alexandra Canal. It has various air rights and a bridge over to an area of Sydney airport which is removed from the main part of the airport by the Alexandra Canal and so that access is land that Sydney airport owns.

Senator MARK BISHOP—The \$3.4 million is for what, overflying rights?

Mr Williams—It is basically for the section of land over the canal and air rights over the canal.

Senator MARK BISHOP—All right. I have 35 to 40 minutes to finish this section. Then we have Airservices Australia. Airservices Australia will take half an hour. That will take us into CASA. How long did you say we had?

CHAIR—An hour and three-quarters. Senator O'Brien, would you be able to put your deep and meaningful on the inspector of transport security on notice?

Senator O'BRIEN—I can.

Proceedings suspended from 9.03 am to 9.15 am

Senator MARK BISHOP—Mr Williams, we were talking about the \$3.4 million to Sydney airport for compensation for land acquisition. Can I refer you now to page 42 of the 2004-05 PBS, table 2.2. Under the heading Compensation Payment to Airport Lessees for the Sale of Airport Land, there is a figure of \$3,000. Is that figure correct or is that a typo?

Mr Williams—It is correct. That is in relation to land acquisition at Hobart airport.

Senator MARK BISHOP—Hobart?

Mr Williams—Yes.

Senator MARK BISHOP—All right. Is the Sydney Airport Development and Sale Act a DOTARS area of questioning or is that DOFA, Department of Finance?

Mr Mrdak—Sorry, Senator, Sydney Airport Development and Sale?

Senator MARK BISHOP—Yes, the act; to deal with crown leases, development and redevelopment of carparks and office towers at Sydney International Airport.

Mr Mrdak—No, that is with us—the Airports Act.

Senator MARK BISHOP—All right. If there is a redevelopment proposal in for land that was sold at Sydney airport to the private entity, Macquarie Airports, the majority owner of Sydney airport, my understanding is there were discussions going on concerning two 12-storey carparks and two nine-storey office towers at the Sydney International Airport, and this has caused some concern amongst local residents and local councils up there. I am advised that they have 90 days to object to any proposals for redevelopment, and the Airports Act says, and I quote:

The minister has 90 days to approve or refuse a major development plan, but if he neither approves, nor refuses to approve, the plan in that time, he is deemed to have approved the plan.

Are you familiar with that provision in the act?

Mr Mrdak—Yes, Senator.

Senator MARK BISHOP—Can you bring us up to date with where those redevelopment proposals are—whether a proposal has gone to the minister and whether he has acted in any way?

Mr Dolan—The minister approved the proposal under the act. I do not have the date in front of me.

Mr Williams—The minister approved the major development proposal or plan on 18 April 2005.

Senator MARK BISHOP—And did he do it by an action or did he simply wait for the 90-day period to expire?

Mr Williams—He took advice from the department and acted within the time period and took action to approve the plan.

Senator MARK BISHOP—He acted prior to the 90 days expiring?

Mr Williams—Yes.

Senator MARK BISHOP—Is such a clause as this 90-day clause common in these government areas that are privatised?

Mr Mrdak—Those provisions were written into the Airports Act at the time that the first airports were leased in 1996-97 when the legislation was put through the parliament. Essentially the 90 days is not inconsistent with timing periods around some other state legislation, for instance, the details. The reason for the way it has been drafted was to provide some certainty to the airport owners and operators that essentially there would be a fixed time period by which a decision would be taken, so it was designed to provide some certainty that the matter would not drag on, and that has been one of the concerns in numerous state legislation or planning legislation, where time periods do not have an expiry date and they can drag on, which obviously affects the ability to invest, and the like. So those provisions were put in place in 1996 when the legislation was first put in place.

Senator MARK BISHOP—All right.

Senator Ian Campbell—I think it might have been drafted by the previous administration, from memory.

Mr Mrdak—That is correct.

Senator MARK BISHOP—When did the bill go through the parliament? Do you recall?

Mr Mrdak—In 1996.

Senator Ian Campbell—I think it was a lapsing bill, from memory. I think it may well have been one of the dying days of the Keating plan. We had to reintroduce it in 1996.

Mr Mrdak—That is correct. The initial legislation for the regulatory regime and for the sale of the former Federal Airports Corporation airports was first put in the parliament in 1995. It lapsed with the proroguing of parliament in early 1996 and was reintroduced with amendments, with some changes by the government, in 1996, and passed towards the end of 1996, from memory.

Senator Ian Campbell—I think the Democrats and Dee Margetts joined together to vote against it, but I think it was otherwise a solid vote.

Senator MARK BISHOP—And was that 90-day provision in the legislation previously introduced by the Labor government?

Mr Mrdak—That is my recollection, yes.

Senator MARK BISHOP—So those sorts of airport development applications are received by the department, and the 90 days is designed to give certainty to stakeholders. Essentially that is what you are telling.

Mr Mrdak—That is correct.

Senator MARK BISHOP—How many airport development applications have been received by the minister or the department?

Mr Dolan—They are received by the minister, who refers them to the department for advice.

Senator MARK BISHOP—How many of those applications have you received?

Mr Williams—During the entire period since 1996?

Senator MARK BISHOP—Yes.

Mr Williams—I would have to take that on notice, Senator.

Senator MARK BISHOP—In the last 12 months?

Mr Williams—Bear with me. I do have that figure. The minister has approved nine major development proposals in relation to a range of airports across Australia in the last 12 months.

Senator MARK BISHOP—And how many at Sydney airport?

Mr Williams—Just that one, Senator.

Senator MARK BISHOP—Just that one?

Mr Williams—Yes.

Senator MARK BISHOP—Where were the others?

Mr Williams—There was a major development plan in relation to Adelaide airport for an Ikea store. In Brisbane there were two: one for a direct factory outlet; one also in Brisbane related to a Virgin Blue hangar. In Canberra there was one in relation to an extension of the main runway at Canberra airport. At Essendon airport, there was a major development plan in relation to a development on the Bulla Road precinct; essentially a commercial and retail development. At the Gold Coast airport there was again runway extension approved. In Melbourne airport there were some offices related to Customs and AFP. An office block was approved by the minister. And at Parafield airport there was a development called the Cross Keys works, which is setting up a particular precinct on the airport site, and also relates to a road going through the airport site.

Senator MARK BISHOP—Have any major development applications been rejected by the minister?

Mr Williams—Not that I am aware of, but I can confirm that.

Senator MARK BISHOP—All right. Following an outcry over the Brisbane Airport Corporation development plans back in 2002 or 2001, there was a Senate inquiry conducted which made a series of recommendations for reforms to the Airport Act, mainly focused on increased consultation. I am advised that an internal review of the act was prepared by DOTARS but has not been made public. Can you advise us if those recommendations are still under consideration by the government or have they been considered and rejected?

Mr Williams—They have been considered as part of the Airports Act review that you are referring to, and my understanding is that the recommendations that were in the Senate inquiry and the government's response to that have been taken on board.

Senator MARK BISHOP—Where is the Airport Act review at?

Mr Williams—It is essentially finalised. The minister has ticked off on all the main aspects. We are in the process of finalising a package for his announcement.

Senator MARK BISHOP—When do you expect that to occur?

Mr Williams—That is at the discretion of the minister but within the next few weeks we hope to have something finalised.

Senator MARK BISHOP—But the minister has ticked off on the recommendation the government is going to accept?

Mr Williams—Yes.

Senator MARK BISHOP—Can I ask you, do those recommendations go to improved or extended consultation?

Mr Williams—One of our specs is related to public consultation. Our expectation is that we will be developing some guidelines in relation to public consultation and how airports should go about it, and community expectations related to consultations.

Senator MARK BISHOP—Do you anticipate amendments to the act arising out of the minister's decision?

Mr Williams—In relation to consultation or more broadly?

Senator MARK BISHOP—No, in relation to consultation.

Mr Williams—No specific changes to the act, except potentially around the public comment periods.

Senator MARK BISHOP—We would expect the minister's public announcement to be in the next four to six weeks. Is that a fair comment, Mr Williams?

Mr Williams—As I said, I cannot speak for the minister, but we will have something ready for him as soon as possible.

Senator MARK BISHOP—There was an article in the *Australian* published on 23 April, quoting the deputy lord mayor of Sydney, Mr John McInerney. He stated he understood the Sydney airport lease included a clause providing that compensation would be payable to the Airport Corporation if approval for property development was unreasonably denied. Is that correct?

Mr Williams—Can you repeat that, sir?

Senator MARK BISHOP—Yes. The deputy lord mayor of Sydney, Mr McInerney stated in an article that he understood the Sydney airport lease included a clause providing that compensation would be payable to the Airport Corporation if approval for property development was unreasonably denied. Can you comment on that?

Mr Williams—I am not aware of such a clause.

Senator MARK BISHOP—No such clause?

Mr Mrdak—It is important to recognise that the approval process for development of the airports is a statutory process under the act. That is the only place in which that matter is addressed. It is not done through the lease at all.

Senator MARK BISHOP—Can we now turn to the National Airspace System, the NAS. We had a discussion on this at last estimates. Is the implementation of NAS 2c by November still on track? How is it progressing?

Mr Dolan—Still on track at this point. I was comparing those with CASA just this evening and we are still aiming for implementation in November as planned.

Senator MARK BISHOP—The discussion we had back in February is still correct?

Mr Dolan—Yes.

Senator MARK BISHOP—Back in the last estimates there was a discussion concerning legislation, concerning the establishment of a directorate for air space regulation by July of this year. In estimates you might have said, Mr Dolan, that it would be introduced during the winter sittings. What is the status of that proposed legislation?

Mr Dolan—It is still a matter under discussion among the affected agencies. I think I indicated the last time we discussed this there were a range of quite complex issues to do with interaction of pieces of legislation. There are one or two details we still need to sort out before we get final advice to the minister on that.

Senator MARK BISHOP—Are we still in the inter-agency negotiation phase?

Mr Dolan—In discussion, yes, Senator.

Senator MARK BISHOP—In the discussion phase. Was your ambition of the winter sittings a little bit ambitious?

Mr Dolan—It was overambitious, yes.

Senator MARK BISHOP—Will we put that back to next year? Autumn next year?

Mr Dolan—We would expect all the unresolved policy questions should be sorted out in the next month. It will then be in the hands of the government in parliament in terms of priority and how the legislation goes.

Senator MARK BISHOP—Then you would have to flick it off to the drafting people, wouldn't you?

Mr Dolan—For a large number of elements we have already got fairly clear drafting instructions, yes.

Senator MARK BISHOP—Perhaps I was a bit unkind then. It might still come into the winter sitting.

Mr Dolan—At the current level of legislative priority, which is category B, no, it will not.

Senator MARK BISHOP—At the last round of estimates, Mr Dolan, you said:

We are in the process of reviewing the future implementation of a National Airspace System, NAS, both in light of what has happened to date and what difference new technology such as the ADSB will make.

What is the status of that process? Have you made any progress since February?

Mr Dolan—Yes. Airservices Australia, who were the ones that were putting together the initial work on that, have completed a draft review which is shortly to be considered by the NAS Inter-Agency Group which I chair and then advice will go to government to move that forward.

Senator MARK BISHOP—Have you had consultation or feedback from the industry as yet?

Mr Dolan—No, that would be the next stage. Consolidated advice from agencies to the minister and then it is for the minister to determine the best way of consulting from there.

Senator MARK BISHOP—The process is you have the inter-agency discussion, you close off on that, take a recommendation to the minister. He signs off on that and then you have consultation with the industry to make sure they are comfortable. Is that correct?

Mr Dolan—Yes.

Senator MARK BISHOP—What time frame do we think?

Mr Dolan—Again, I cannot pre-empt the minister's consideration of it. Our expectation is we would have something in front of the minister within the month.

Senator MARK BISHOP—Mr Bernie Smith told the committee in May last year that the review would take around 12 months. The review he was talking about, is that the process you are undergoing now, Mr Dolan?

Mr Dolan—Yes, it is.

Senator MARK BISHOP—He said 12 months from May, so we are basically on track with his timing then.

Mr Dolan—Yes.

Senator MARK BISHOP—Do you have a better sense of the costs associated with NAS now?

Mr Dolan—I am sorry, Senator, the overall costs? The question is given the review necessarily shifting. No, we still have to get a better understanding of the costing as a result of this revised interstate model as we have been characterising it.

Senator MARK BISHOP—So there is still further work to be done there?

Mr Dolan—Yes.

Senator MARK BISHOP—That idea of the costing, is that going to come from your consultation phase with industry?

Mr Dolan—I would hope we have got a reasonable fix on it before we consult with industry.

Senator O'BRIEN—Mr Dolan, can you confirm that the Christmas Island airport does not have its own fire engine and fire service?

Mr Dolan—I cannot confirm or otherwise. It is not something for which I am directly responsible.

Senator O'BRIEN—Who is responsible for that?

Mr Dolan—In terms of the ownership of the airport, it is run by the territory's local government. I understand it is regulated in the same way as other airports. The safety standards at the airport would be the responsibility of CASA.

Senator O'BRIEN—Is there an international aviation agreement that regulates which airport should have their own fire services?

Mr Dolan—The Chicago Convention set standards for airports that involve international aviation, yes.

Senator O'BRIEN—Christmas Island receives international flights, doesn't it?

Mr Mrdak—It does or it did.

Senator O'BRIEN—It does?

Mr Mrdak—From my recollection, it did. The fire service is provided by the local fire—I think it is a volunteer fire brigade to which the Commonwealth had made a contribution in the past for equipment. Perhaps if I could take that on notice and come to you tomorrow. I will check with our Territories Bill—it has been a couple of years since I was last involved with the territories—what the current situation is and come back to you if I could.

Senator O'BRIEN—Many aeroplanes leave that airport with heavy freight and full fuel loads. Is it an airport that is considered high risk?

Mr Mrdak—In terms of the operations of the airport in particular? The regulatory standards which determine whether a rescue and firefighting service is required on site are set at a certain number of aircraft movements. I do not think that is driven by an operational risk assessment per se. It is a standard regulatory parameter I think of the order of 350,000 movements per annum. That is domestic. For international services, perhaps I had better check.

Ms Chilvers—The ICAO SARPs, standards and recommended practices, set out requirements for rescue and firefighting services for international operations. Australia has lodged a difference with ICAO to the effect that not all of our international alternate airports have ARFF services that meet those international requirements. It is then a matter for airline operators to make that decision, in that knowledge of whether they are going to use those airports that do not meet the international standards.

Senator O'BRIEN—So we have the ability to waive ICAO standards?

Ms Chilvers—All the contracting states have the ability to lodge a difference because they are standards and recommended practices.

Senator O'BRIEN—What is the typical cost of a firefighting service at an airport?

Ms Chilvers—I cannot answer that.

Senator O'BRIEN—Can you take on notice the cost of a fire vehicle and provision of a fire service?

Ms Chilvers—Alternatively, you might be able to get that information from Airservices as they are the primary provider of rescue and firefighting services in Australia.

Senator O'BRIEN—All right, we will see if we can ask Airservices that. I recently travelled to Christmas Island on the scheduled National Jet service. En route to Christmas Island, the plane landed at Learmonth airport to refuel and passengers were told that, contrary to usual practice, we were not able to disembark while refuelling took place, due to a dispute between DOTARS and the local council. Can you tell me about the nature of that dispute between DOTARS and the Shire of Exmouth, when it began and when it will be resolved?

Mr Dolan—I am not familiar with such a dispute. I am happy to take it on notice and make further investigations. I was not aware at least that aviation and airports division was in dispute with the airport but we will certainly make inquiries and report back to the committee.

Senator Ian Campbell—It would not be the first time that someone had blamed Canberra for something.

Senator O'BRIEN—It would not.

Senator Ian Campbell—Especially in Western Australia.

Senator O'BRIEN—I am interested to find out if that is the case or it was simply passenger management. I do not know. Thank you. I have no more questions in this area.

[9.40 pm]

Airservices Australia

CHAIR—Welcome to the officers. Thanks very much, ladies and gentlemen. We will go to questions from the ever anxious Senator Bishop.

Senator MARK BISHOP—Mr El-Ansary, last time we met you told the committee that there was going to be a review being conducted into Airservices Australia, including a validation of the safety premises which underpin the National Airspace System. You said that to us. What is the progress of this review?

Mr El-Ansary—I am not sure which review you are referring to. Are you talking about the governance review?

Senator MARK BISHOP—The question was:

According to the *Australian* on 17 December last year, the review of Airservices Australia will look at the problems of implementing national airspace systems reform, and I note that the Secretary is to engage an independent consultant to undertake that review. Is that still the case or is the review going to now be conducted internally?

You responded:

I believe that the review is still being managed by the department. There is a possibility that some elements of the terms of reference may be matters that could be passed to our board, recognising that we have a new board and a new chairman, for input.

Mr El-Ansary—That refers to the governance review of Airservices, not Airservices' review of itself. The minister announced that review. The review is being managed by and large by the department and the department has invited us to participate not only in terms of providing some input information but also in terms of managing one or two of the terms of reference that more specifically relate to the operation of the board of Airservices. So we are in the process of assisting the department with the wider review. I understand the department has now engaged a consultant to undertake the governance review. We are working with the department. I understand the target is to be completed by the end of June.

Senator MARK BISHOP—Who has been appointed as the external consultant?

Mr El-Ansary—I believe it is Professor Stephen Bartos.

Senator MARK BISHOP—Where is he from?

Mr El-Ansary—From the University of Canberra.

Senator MARK BISHOP—What is his particular expertise? What strength does he bring to do the review?

Mr El-Ansary—It is probably more appropriately addressed to the department. They engaged the good professor.

Senator MARK BISHOP—Mr Dolan?

Mr Dolan—Professor Bartos is the head of the National Institute of Governance at the University of Canberra and he is undertaking the review.

Senator MARK BISHOP—So his patch is pure governance, is it?

Mr Dolan—Yes.

Senator MARK BISHOP—So he is doing that review. When is that anticipated to be completed?

Mr Dolan—We are expecting a report late in June.

Senator MARK BISHOP—We are probably now at the drafting stage?

Mr Dolan—No, there is still some investigation going on, but the project is on track for achieving the target of the end of June.

Senator MARK BISHOP—When you say 'end of June', are you talking about the entire governance review or just the work being done by the good professor?

Mr Dolan—The work being done by Professor Bartos will be completed by then. There is, as Mr El-Ansary has indicated, some associated work that is being done under the guidance of the Airservices board, more focused on their responsibility for the internal governance of the organisation which I believe is being undertaken in much the same time frame. The two elements of that will be brought together by the department through the secretary shortly thereafter.

Senator MARK BISHOP—I see. Mr El-Ansary, did I hear you say that you, as the CEO of Airservices Australia, have been requested by the government to provide comments on the operation of the board? Is that what you said?

Mr El-Ansary—No, not me. The board has been given responsibility for reviewing a number of aspects of governance that relate to the operation of Airservices, recognising that it is a new chairman and a new board that the minister has appointed and that it would not be inappropriate for them to undertake those sorts of activities to ensure that the organisation is running in a fashion that is consistent with their accountability as directors of the organisation.

Senator MARK BISHOP—Okay, they are conducting a review of some of their governance operations. You are the acting CEO of the corporation. What is your role in that governance review of and for the board?

Mr El-Ansary—Management's role more generally is to provide information that the board may request. We are collating information of a factual nature that is being provided to the department to assist Professor Bartos in his review.

Senator MARK BISHOP—You are not being asked to provide subjective analysis of the operation of the previous or current board?

Mr El-Ansary—No. That would clearly not be appropriate.

Senator MARK BISHOP—I was just trying to establish that. Does the review's terms of reference address further restructuring or privatisation of Airservices Australia?

Mr El-Ansary—Not to my knowledge.

Mr Dolan—There is nothing in the terms of reference that refers specifically to restructuring, which would be a matter for the board, and certainly no reference to privatisation.

Senator MARK BISHOP—At the previous estimates, Mr El-Ansary, I think you said there was an indicative cost of some \$200,000. Is that right or has it gone ahead of that figure?

Mr El-Ansary—I think it was Mr Dolan that gave that estimate.

Senator MARK BISHOP—Mr Dolan?

Mr El-Ansary—Given he is paying the bill, it is probably more appropriate that he estimates it.

Mr Dolan—I do believe the \$200,000 estimate was mine. It was a best guess at the time since we did not have a consultant on board. It is still within the ballpark if you allow for the work being put in by both agencies as well as the cost of the consultants.

Senator MARK BISHOP—It is still in the ballpark of \$200,000?

Mr Dolan—Yes.

Senator MARK BISHOP—We are still on track for a report to government at the end of June?

Mr Dolan—As I indicated, there will be effectively two elements of the report coming together by the end of June and a report to government consolidating that, through the secretary as required by the minister, shortly thereafter.

Senator MARK BISHOP—That is fine. What is the budget allocation for Airservices Australia for the 2005-06 financial year, Mr El-Ansary?

Mr El-Ansary—We do not have a budget allocation as such. We earn fees from our commercial charges to industry. The order of magnitude would be around \$620 million to \$630 million.

Senator MARK BISHOP—Is that up or down on the previous year?

Mr El-Ansary—It would be up.

Senator MARK BISHOP—Up slightly or up significantly?

Mr El-Ansary—We have had a good year and, although we expect the level of activity growth to moderate somewhat next year, there is still an assumption. I do not recall exactly the level of activity but it would be in the order of five per cent increase.

Senator MARK BISHOP—Five per cent real growth?

Mr El-Ansary—Yes.

Senator MARK BISHOP—What do you do with excess of income over outlays? Do you retain it inside the corporation?

Mr El-Ansary—The corporation is run pretty much like a commercial business. We are expected to generate profits. A portion of those profits is paid towards meeting our tax obligations; a portion is paid to the shareholder, who is the government, in the form of dividends; and the balance is retained inside the organisation to help it fund future investment and future capital growth.

Senator MARK BISHOP—What is the dividend laid by the government?

Mr El-Ansary—The dividend target is generally 60 per cent of after tax profits.

Senator MARK BISHOP—What are your after tax profits? Is that commercial-in-confidence?

Mr El-Ansary—Last year's is not commercial-in-confidence. I can report that it was about \$46 million net profit after tax.

Senator MARK BISHOP—On an income of around \$570 million?

Mr El-Ansary—About \$615 million if my memory serves me correctly.

Senator MARK BISHOP—Last time, Mr El-Ansary, you and I and a couple of others had a fairly lengthy discussion about regional radar—its merits or otherwise—contrasted with the automatic dependent surveillance broadcast system. We discussed the minister's announcement very close to the election, the costing of between \$100 million and \$140 million, and the view of some in the organisation that the minister's desire for certain levels of safety could be better and more cheaply arranged by a different system to the one he proposed. That was the thrust of the discussion, as I recall. You indicated part way through the discussion that the minister was still considering advice provided by Airservices Australia on the ADSB technology. Has there been any progress on those deliberations since we last met?

Mr El-Ansary—Again, Senator, it may be more appropriate to defer to the department. The minister, to my recollection, was seeking independent advice on a number of aspects of the advice that we provided the government. The department has been facilitating that advice.

Senator MARK BISHOP—Mr Dolan?

Mr Dolan—Senator, at the minister's request the department commissioned a British firm, CSE, to undertake a review of certain elements of the analysis that Airservices had done to support their views to the minister that the provision of radar at these airports was unnecessary. The report of that review should be available, we believe, later this week. There was some additional information that needed to be fed into the report. That is a matter that the minister has also asked to be considered by the NAS Inter-Agency Group before advice is provided to him. It will be done in the same time frame as the so-called end state model considered in the same time frame.

Senator MARK BISHOP—The department has commissioned a review by this British firm and they have almost completed the review.

Mr Dolan—Correct.

Senator MARK BISHOP—The minister has now requested that that review be considered by this inter-agency task force.

Mr Dolan—At the point that the minister commissioned the department to undertake this work, he asked that it be considered by the NAS Inter-Agency Group.

Senator MARK BISHOP—Who heads up the NAS Inter-Agency Group?

Mr Dolan—I do.

Senator MARK BISHOP—Is Mr El-Ansary's organisation represented on that group?

Mr Dolan—Yes indeed. It is a group consisting of the department's chair, Airservices Australia, the Civil Aviation Safety Authority and the Department of Defence.

Senator MARK BISHOP—We have got all the players in the tent. Mr El-Ansary, were you or your organisation consulted by the British firm retained to do the review?

Mr El-Ansary—Yes, we were.

Senator MARK BISHOP—And you put submissions to them?

Mr El-Ansary—We did.

Senator MARK BISHOP—Are you familiar with the findings of the review?

Mr El-Ansary—No.

Senator MARK BISHOP—Has it indicated to you broadly what its findings will be?

Mr El-Ansary—No.

Senator MARK BISHOP—Do you have any cause to have changed the position you put to the committee back in February as to the utility of the Deputy Prime Minister's decision back in October last year?

Mr El-Ansary—There is nothing I have seen that would cause me to change my view that I put forward at the last estimates hearing.

Senator MARK BISHOP—I presume you put the same or similar comments to the British firm conducting the review.

Mr El-Ansary—The review by CSE International was on a slightly different basis. It was really aimed at trying to validate the risk methodology on which our work or our modelling

led to the conclusions that were arrived at previously. The minister was seeking an independent validation of the veracity of our model through this independent firm. It does not go towards the solution; simply there is a level of risk that needs to be mitigated and the way to mitigate that. There are many options in which those risks could be mitigated.

Senator MARK BISHOP—Yes. In terms of the argument you were putting last February of your preferred path, you stand by that?

Mr El-Ansary—Yes, I do.

Senator MARK BISHOP—Mr Dolan, have you had cause to review your conclusions between February of this year and the current time?

Mr Dolan—I am not sure that I had come to a conclusion the last time we talked. I indicated that we had been asked to review it.

Senator MARK BISHOP—No, my understanding is that, when the Deputy Prime Minister made his decision in October of last year, there had been little or no consultation with the department; that it was a decision that he made in his wisdom, as he was entitled to do, as was explained to us under the act, and that the department was not consulted. As it considered the Deputy Prime Minister's decision after he announced it, it was not satisfied that his decision had been the optimal decision. I thought that was the department's view.

Mr Dolan—I do not recall expressing a view on the minister's decision. I am willing to be corrected. The key issue was for Airservices who, appropriately, wrote to the minister indicating their views on the direction that had been given to them. The minister asked the department then to undertake essentially a validation, as Mr El-Ansary said, of the risk methodology and analysis that had been used to support the Airservices view. That is the project that has been undertaken by CSE and will in due course be given back to the minister so he can decide whether he can appropriately rely on the advice that has been given to him by Airservices.

Senator MARK BISHOP—Was the department satisfied that the advice given by Mr El-Ansary's organisation was appropriate advice?

Mr Dolan—There had been a number of public questionings of elements of the risk analysis that had been undertaken by Airservices. It seemed to us appropriate that some level of validation of that methodology be undertaken before it was relied on to withdraw the minister's safety direction.

Senator MARK BISHOP—Has the British firm indicated to you what their findings are going to be?

Mr Dolan—The findings are dependent on some final data analysis for which we have not yet seen the results. They have not indicated a final result to us but it will be with us shortly.

Senator MARK BISHOP—Okay.

Senator Ian Campbell—Mr Chairman, while we are at an interregnum, I would for the record refer anyone who wants to, to compare Senator Bishop's submission about what Mr Dolan said on the 14th of 2005 with what Mr Dolan actually said. I would seek to have incorporated in the *Hansard* the exact text of what Mr Dolan said, which differs substantially

from what Senator Bishop said he just said. It is at *RRANT Hansard 163*. I would have that put so it could be compared in context close to what Senator Bishop just said. There is no reason why you cannot incorporate a *Hansard* in a *Hansard*.

Senator MARK BISHOP—He wants to incorporate *Hansard* into *Hansard*?

Senator Ian Campbell—I will let Senator Bishop have a look at it because he has just totally verballed Mr Dolan, which is entirely inappropriate.

Senator MARK BISHOP—No. I did not totally verbal Mr Dolan at all. I did not even partially verbal Mr Dolan.

Senator Ian Campbell—Let us let people read the two *Hansards* and make their own decisions.

Senator MARK BISHOP—Hey! I put a proposition to Mr Dolan and gave him the opportunity to respond. I did not verbal him at all and I did not demur at all from what he said, so do not try and verbal me.

CHAIR—Order, Senator Bishop!

Senator Ian Campbell—I am not verballing you.

Senator MARK BISHOP—You are.

Senator Ian Campbell—I am just putting on the record what Mr Dolan said last time.

Senator MARK BISHOP—You are. I put a proposition to Mr Dolan and asked him to comment and he commented.

CHAIR—Thank you very much. I am actually chairing this. Neither of you are of any significance to the chair. I am the chair, so both shut up and we will get on with it. We will table it in the *Hansard*.

Senator Ian Campbell—Mr Chairman, I take exception to being told to shut up, quite frankly. I have put a submission before the committee.

CHAIR—There is no need to yell. I can hear you.

Senator Ian Campbell—I did not yell. This joker over here yelled. He has obviously had too much to drink at dinner time or something.

CHAIR—You are both yelling.

Senator MARK BISHOP—You have had a long day. You are verballing me.

Senator Ian Campbell—I want the officer's comments recorded in the *Hansard* and this bloke is a bit upset because I have caught him out misleading the committee again.

CHAIR—With great respect, we have done all that.

Senator Ian Campbell—Good. Let us move on.

CHAIR—Any reference to dinner is offensive.

Senator Ian Campbell—First I have had a temper tantrum and I have been told to shut up and I am not happy about that.

Senator MARK BISHOP—Why don't you shut up?

CHAIR—It is 10 o'clock at night. There is absolutely no reason to have all this silly colour and movement at this hour of the night. If you want to do all that, go down the back paddock somewhere and do it. Let us get on with it.

Senator Ian Campbell—Yes, but chairmen should not tell people to shut up.

CHAIR—If you people want to yell over the top of the chair—

Senator Ian Campbell—I was not yelling. This bloke over here was yelling.

CHAIR—With great respect, we should move on because it is a long time.

Senator Ian Campbell—Hear, hear! Next question.

Senator MARK BISHOP—Are you the chairman now? Why don't you mind your own business and answer the questions that are relevant to you? No-one cares what you think or say.

Senator Ian Campbell—Have you got a question?

Senator MARK BISHOP—Are you the chairman? Why don't you sit down and mind your own business?

Senator Ian Campbell—No, I am here to be asked questions.

Senator MARK BISHOP—No-one is asking you a question so sit there and be quiet. When I have got a question for you, I will ask you; otherwise mind your own business, mate.

Senator Ian Campbell—Is anybody going to ask some questions?

Senator MARK BISHOP—Thank you very much.

Senator Ian Campbell—Tomato juice tomorrow for dinner, not whatever you have been drinking.

CHAIR—Thank you very much. Has anyone got an idea of what the word would be in this crossword: 'assistance, one down, with five letters'? That is as relevant as what is going on here now. If we could return to the questions, thank you, Senator Bishop.

Senator MARK BISHOP—Okay. Have there been any revisions made to the radar cost estimates arising out of this?

Mr El-Ansary—No. Our view is it is still in the order of \$100 million to \$140 million, depending on the level of site works and excavation that needs to be undertaken in order to put the facilities in place.

Senator MARK BISHOP—Have the appropriations occurred as yet?

Mr El-Ansary—No. As I recall we discussed last time, if we were to proceed to install radars, it is most likely that Airservices, in conjunction with the government, would come to some sort of funding arrangement. So it may not require appropriations or it may require partial appropriations.

Senator MARK BISHOP—Can we have a report on the lower airspaces program, LAP? What is the progress of that particular program?

Mr El-Ansary—I might call on one of my colleagues at the moment. My recollection since we last talked about this is that we have been involved in a fair degree of consultation

with industry over the exact nature of form, timing, funding, issues associated with the introduction of ADSB in the lower airspace environment. That work has been undertaken through the Australian ASTRA Group which is a representative body of industry, CASA and Airservices. My understanding is that we have had some very fruitful discussions on the issue of ADSB. No decision point has yet been arrived at but we have moved a couple of steps along the way. I do not know, Mr Fleming, if you have anything to add to that.

Mr Fleming—As Mr El-Ansary said, we performed a cross-industry business case which was done with other members of ASTRA. That business case is being discussed with the members of ASTRA at the moment to make sure everyone is comfortable with that. The other activity that is occurring is CASA put out their discussion paper about a mandate for ADSB in the future. I believe that discussion paper will have their responses fairly soon. The main thing is being coordinated through the ASTRA group.

Senator MARK BISHOP—At the previous estimates round, Mr El-Ansary, you stated:

To install 10 terminal radars around the country would take several years to put into effect.

You went on to say:

In the medium term, one would see ADSB as being an effective replacement to traditional radar systems.

Can you comment on that? Do you still stand by those—

Mr El-Ansary—Yes, I do. We had a discussion about what medium term might reflect and, as I recall it, I said in the order of five to seven years. I also recall that, in CASA's discussion paper that Mr Fleming referred to, the proposition put to industry by CASA for discussion was the full equipage of the Australian aircraft fleet by 2012. That means that, by mandate, they would all have the necessary equipment in the cockpit that would facilitate an ADSB or the spreading around of ADSB in the lower airspace. To my knowledge, nothing has changed in the three months or so since we last spoke.

Senator MARK BISHOP—What is the likelihood that by the time the terminal radars are operational ADSB will also be functioning?

Mr El-Ansary—The terminal radars would progressively be introduced. If we were to get a decision today, for example, the first radar could be installed within about 1½ years and, thereafter, probably one every three months, such that after about three years we would have 10 terminal radars installed at those 10 regional locations. ADSB will start in the upper airspace, we expect, at the beginning of this year and be progressively introduced towards the end of this decade and the early part of the next decade. It is conceivable that there would be a number of years of effective use of terminal radars prior to the wide-scale deployment of ADSB.

Senator MARK BISHOP—On your current implementation of the radars, probably something in the order of four or five years?

Mr El-Ansary—Correct.

Senator MARK BISHOP—Has CASA received any feedback in its discussion paper regarding the possibility of mandating the installation of transponders?

Mr El-Ansary—That is a question that is probably more properly answered by CASA. I have not been privy to the feedback that they have received as a consequence of their discussion paper.

Senator MARK BISHOP—Thank you, Mr El-Ansary.

Senator O'BRIEN—What can you tell me about the future plans for the decommissioning of an Airservices Australia transmission tower on West Island in the Cocos (Keeling) Islands? I understand that you are thinking about pulling down the tower, but a local resident has told me that it carries radio and television services.

Mr El-Ansary—That is correct. I only have a very vague recollection of that. We are always looking to upgrade and redesign our facilities, and I recall that there was some discussion that that tower could become obsolete as a consequence of new communications technology that we are introducing around the country. I would say, however, that that tower provides services to, I think, Telstra and a number of other activities on the island. We are conscious of that and would not proceed to remove it without consultation with those parties.

In fact, if my memory serves me correctly, we have a commercial relationship with those entities such that they pay us for site share agreements, so we would be obliged to consult with them to ensure that alternatives are made available to maintain continuity of service to the residents of the island. There are no immediate plans to remove the tower, but I would not be surprised if we have had discussions and perhaps even consulted local community groups. That is the normal course of our business.

Senator O'BRIEN—I am pleased to hear that. Unfortunately, the island experienced Telstra turning up to take down a tower that carried the local mobile phone service—and I think some internet services as well, but I am not sure about that—without any advice. The contractors just appeared on the island, tools in hand, ready to work. The islanders will be pleased with that response, I am sure.

Senator Ian Campbell—Telstra did the opposite on Christmas Island, didn't they? They installed a new service there with some—

Senator O'BRIEN—I think they were paid a considerable amount of money under the regional services fund to do so. I do not think it was charity.

Senator Ian Campbell—We did a negotiation and they came to us with a price.

Senator O'BRIEN—It was a commercial thing.

Senator Ian Campbell—It was, yes.

Senator O'BRIEN—It was not charity.

Senator Ian Campbell—No.

Mr El-Ansary—It is quite conceivable that we could just leave the tower there and offer to either sell it or provide it at a nominal charge to anybody who wants it and is prepared to look after it. There are a number of options.

CHAIR—It would probably cost more to remove it than to leave it.

Mr El-Ansary—Correct.

Senator O'BRIEN—I am certain that it would cost more to remove it than to leave it, depending on the viability issues. Is it possible to get to some sort of understanding of the cost of providing a fire and rescue service at a small airport with international flights using the airport?

Mr El-Ansary—It would very much depend on the scale of the airport in terms of the size of aircraft and the frequency of aircraft, because that drives the category level of service that we would provide. If it is at the lowest level—that is referred to as a category 6 fire station—it would be in the order of \$3 million to \$4 million per year to operate a fire service that is ICAO compliant.

Senator O'BRIEN—What size aircraft would that envisage?

Mr El-Ansary—Small RPT, but it is also associated with the frequency of aircraft movements.

Senator O'BRIEN—What would be the typical cost of a firefighting and rescue vehicle?

Mr El-Ansary—A typical rescue and firefighting truck would be in the order of \$1 million. For a category 6 service we would need three trucks, two on active duty and one as a replacement when any one of those active vehicles are being serviced or are out of action. Plus there is the cost associated with the fire station, the firefighting equipment, the consumables and, of course, the staff.

Senator O'BRIEN—Thank you.

CHAIR—Thank you very much, gentlemen.

[10.14 pm]

Civil Aviation Safety Authority

CHAIR—Thank you very much, gentlemen.

Senator O'BRIEN—I want to ask some questions about a position that was advertised on 21 April this year. Applications closed on 13 May. The position is group general manager, air transport operations, which appears to be a key position in the authority as it involves regulating RPT operators in Australia. Is that a fair understanding of the position?

Mr Gemmell—Yes, the job was advertised. It reflects a position that comes about with our new structure, where we have changed our previous arrangements and put together a group that looks after the major airlines in Australia.

Senator O'BRIEN—The position specification states:

The organisation has traditionally recruited experts from the aviation industry—retired pilots and airline engineers, for example—with the result that CASA has a highly skilled technical workforce. It is however not as well positioned as it would like to be with contemporary leadership and management talent.

Is the authority of the view that it lacks leadership and management talent?

Mr Gemmell—We think we could improve areas in terms of leadership and management. It is a technically highly skilled work force. If we have a weakness it is in the area of leadership and management.

Senator O'BRIEN—That is a major concern. The position specification then states that in relation to passenger safety—I assume RPT operators—there was plenty of data but little information, and audits of aviation organisations had inappropriately become the main CASA surveillance tool. Does that mean it is now suggested that audits should be wound down?

Mr Gemmell—Yes. The Civil Aviation Act requires us to conduct surveillance of the aviation industry. Over time we have traditionally conducted audits of operators on a regular scheduled basis. These regular scheduled audits have become more time demanding, in preparation and write-up and in being conducted, to do them properly. It has turned out that they are now our main tool for undertaking surveillance and we do not think that is appropriate. We think we should spend more time with operators inspecting what they are doing and having a closer involvement with industry rather than just turning up on one or two occasions in a year.

Our intention is to put in arrangements to facilitate inspectors having more involvement with operators, but to do that you will probably have less of the scheduled audits. We will have more inspections and closer involvement, but less formal scheduled audits—the big audits we do.

Senator O'BRIEN—What do you mean by more inspections?

Mr Gemmell—Getting out there and talking to them, having a look at the particular elements of their operations or a particular operator, but not a major audit that might take us a week to perform. It is something we can do in a shorter period of time.

Senator O'BRIEN—Just a quick visit and check a couple of things and go?

Mr Gemmell—Quick visit, check a few things out, come back and record it; to be done on a risk management basis. We are out there for things which we have assessed, for whatever reason, as being a risk in aviation that we should have a look at. We get people out there more frequently. The expression the chief executive uses is: 'More time on the tarmac.' That is what we are after there: less time in the office planning things and writing things up and more time out there finding out what is going on. Of course there will still be some time for planning and there will still be time writing-up.

Senator O'BRIEN—How many regular audits are carried out each year on major and regional RPT operators with aircraft above 5,700 kilos?

Mr Gemmell—For the big ones we do two audits a year, for each operator.

Senator O'BRIEN—Over the past two years how many unscheduled audits have been undertaken in that period?

Mr Gemmell—I might have to take that on notice. We do some, but we have found that the scheduled audits are taking up a large amount of time, which gives less time to do the unscheduled.

Senator O'BRIEN—Over the past two years, on how many occasions has CASA taken action against an RPT operator with aircraft over 5,700 kilos MTOW?

Mr Gemmell—I guess that depends on what you mean by 'taken action', Senator.

Senator O'BRIEN—Done something in relation to their operation, their AOC, whether that be caution required, required action.

Mr Gemmell—It is an absolute routine that following an audit there is a briefing and feedback. It is very common that we might produce a request for corrective actions or some observations from those audits. We pass all those to the airline. Operators who we class as good operators would receive that—things we see in the audit that we think could be improved. That would happen pretty much every time. Then there is a range of options that go up from there: we have the capability of fining people or taking actions against their licence, or prosecuting them and so on.

Senator O'BRIEN—Surely you would have information about the number of occasions CASA has detected breaches of safety regulations by these operators.

Mr Gemmell—We could find information, depending on precisely what question you are asking us. If it is about how many times we have prosecuted them, we can work those things out. If it is about how many requests for corrective actions we have made, which will implicitly be where we have found something they are not doing that we think the regulations require, we can do that.

Senator O'BRIEN—Does every request for corrective action indicate that a breach has been discovered?

Mr Gemmell—There is something we have found. It might be a breach; it might be just something that we think could be improved to ensure that you do not have a lapse.

Senator O'BRIEN—If we had the number of requests for corrective action and the number of prosecutions, we would have a good idea of the number of breaches that had been discovered?

Mr Gemmell—You would have some idea. You need to be careful that you do not interpret requests for corrective action as being breaches of the regulation. That is not always what they mean. We are doing audits on these companies and it would be routine for us. Any major organisation getting an audit will probably find something in there to draw to their attention.

Senator O'BRIEN—Can you give me some examples of requirements for corrective action that were not about a breach?

Mr Gemmell—Yes. The sort of thing we have in mind is where we see a deficiency in the system. It may not be a regulatory breach, but it may be an area where we can see a weakness which we think might, if not fixed, lead to a problem down the line. It may not be a problem itself, but it may create one in the future.

Senator O'BRIEN—Can you get the information for us about requests for corrective action and prosecutions in that area?

Mr Gemmell—We have the information.

Senator O'BRIEN—Can you supply it to the committee?

Mr Gemmell—We can, Senator. Can I get it right—for RPT above 5,700?

Senator O'BRIEN—Would you know how many infringement notices have been issued to these operators over the period?

Mr Gemmell—To RPT above 5,700? No, I could not tell you that. I could tell you the number of infringement notices issued to everybody. It is not a massive number, but I do not have the figures for above.

Senator O'BRIEN—Can you get that for us?

Mr Gemmell—We would be able to find that, yes.

Senator O'BRIEN—Do you know how many investigations of alleged breaches of safety regulations there have been in that area?

Mr Gemmell—How many investigations into alleged breaches of safety regulations?

Senator O'BRIEN—Yes.

Mr Gemmell—I am not sure we could answer that one.

Senator O'BRIEN—I understand there was an investigation into Qantas pilots commenced some two years ago. Could you remind me of the detail of that and the outcome of the investigation?

Mr Gemmell—The outcome is that the matter is in front of the courts now. The allegation is that they took off without runway lights. That is being contested. It has been in front of the courts for some time now. I am informed that there is a hearing scheduled for November of this year.

Senator O'BRIEN—How will the new approach encapsulated in the position description we have been discussing impact on the number of audits undertaken? Presumably, it will reduce them to nil.

Mr Gemmell—No. I certainly expect there will be a reduction in the number of regular scheduled audits we do. It will not be down to nil, because the audit is still a useful and valuable tool in the toolbox of things we can do, but we expect it to reduce across virtually all categories and to be supplemented by a range of inspections and other visits based on risk assessment.

Senator O'BRIEN—To what extent do you envisage they will be scaled back? Can you give us a proportion?

Mr Gemmell—We are thinking through it now. For example, the major airlines would do two regular scheduled audits a year. We are thinking about making it one regular scheduled audit and a lot more inspections.

Senator O'BRIEN—So roughly half?

Mr Gemmell—For that category, yes. As we go through the charter categories and various other categories, we will have a look at how often we want to go out there. In some cases, we might do very little regular scheduled stuff and a lot more risk based audits. We think that will be a better use of our time and resources and produce better safety outcomes.

Senator O'BRIEN—When will you know the frequencies for the regime you propose to implement for the varying categories, or have you already done that?

Mr Gemmell—We will need to finally resolve that before we start the new financial year.

Senator O'BRIEN—Is it possible for this committee to be supplied with the detail of the new program proposals?

Mr Gemmell—Yes, once we have them. I will not be taking those decisions without the CEO.

Senator O'BRIEN—Going back to the job advertisement, can you tell me what the sentence at the bottom of page 2 means? It says:

Develop and implement new surveillance tools, as a high priority, to help the group move beyond compliance checks (currently the dominant activity) to embrace compliance within a framework of broader industry facing facilitation to arrive at required safety outcomes.

Mr Gemmell—In the first instance, my guess is you pay some of these agencies for some of their speak, I guess. We were actually talking about what a lot of that meant, which was to change our surveillance tools and think our way through how we were going to do it. We intend to try and change the face of CASA over a period of time. The expression we use is we are seen as a valued partner in achieving aviation safety rather than, as in some quarters, as the enemy in all this, or the police or the bad guys. We want to be seen in a different light.

Senator O'BRIEN—We will come to that, but the new surveillance tools you suggest mean a new on-the-tarmac approach, almost.

Mr Gemmell—That is right. We have a whole suite of surveillance tools. They have morphed over time into predominantly using the scheduled audits, and we are saying: let us go back through this, think through how many we are doing, apply them and check the results, particularly supplementing that with risk assessments. That is the key to being successful in this. Rather than just doing it on a schedule, do it less on the schedule but more based on risk assessment.

Senator O'BRIEN—Who wrote that?

Mr Gemmell—Who wrote what, Senator?

Senator O'BRIEN—The passage I quoted, that you really had some difficulty understanding, I think.

Mr Gemmell—I can tell you who wrote it, but at the end of the day I would have cleared those words, so I have to take some responsibility for that. The consultants spent a lot of time talking to us and they wrote it down. I might have even said something like that. If I did, I apologise.

Senator O'BRIEN—It is more akin to Sir Humphrey, I think.

Mr Gemmell—It is not perhaps the clearest statement of what we might be talking about.

Senator O'BRIEN—Is the new system to be in place early in the new financial year or more towards the end of the calendar year?

Mr Gemmell—If you are talking about the high-capacity RPT, we will probably bring that in straightaway. We might take longer about the other operations, depending on the decisions we take about the appropriate balance between audits, inspections and so on, against the databases, the risk assessment information that we have and how good we are at assessing those risks.

Senator O'BRIEN—In the same ad, under the heading 'Critical competencies for success', the specifications for the candidate state:

Successfully demonstrates that carrots are more successful than sticks, and leads his/her team to behave in the same way.

What are these carrots? What are the inducements? Does 'carrots' mean some form of inducement behaviour?

Mr Gemmell—Encouragement and reward would be the—

Senator O'BRIEN—What are the rewards you envisage?

Mr Gemmell—The concept that we have lying below that is that we are likely to be more successful in achieving better aviation safety outcomes by encouraging the industry towards meeting its obligations in aviation safety rather than whacking them for all the failings we happen to find. We wish to encourage an approach that builds on industry's own capacity to achieve aviation safety. We acknowledge we are only a small piece in the aviation safety equation.

Senator O'BRIEN—You are looking to almost build a partnership with the industry.

Mr Gemmell—In our new language that we are talking about—our draft corporate plan and things that we are working on—we talk of being a valued partner. We are seen as being someone who can bring some value to it—either some knowledge or some expertise—and give them something; rather than the auditor to be feared in case we find them out, the auditor to be welcomed on the basis that we can assist them to lift their game in terms of aviation safety.

Senator O'BRIEN—CASA is trying to shift from a formal regulatory relationship with industry—an arm's length regulated relationship—to a partnership with industry?

Mr Gemmell—It is a question of balance. We could never move strictly away from our regulatory role in respect of aviation, because at the end of the day if rules are breached it is our obligation to follow through on those and ensure they are enforced in the appropriate way, but we are trying to shift the balance a little bit towards a stronger partnership approach to those who are willing and able to be part of that partnership. Unfortunately, there may always be those who will seek to breach the rules, in which case we are going to have to take action.

Senator O'BRIEN—Sure, but the culture you are talking about is more of a service culture than a policing culture, surely.

Mr Gemmell—I am a bit cautious about using the service culture language, but that is the direction. You need to be very careful, as we have learned from experience, that you do not go too far with those sorts of cultural movements. We have to be very careful we are not ourselves accused of being so close to industry and such a partner that we are incapable or unwilling of exercising the appropriate judgments in respect of them.

Senator O'BRIEN—I thought the advertisement used the terms 'policing culture' and 'service culture'. I cannot find it on a quick scan. I may have to come back to that.

Can I draw your attention to the report prepared by Mr James Staunton QC following the commission of inquiry into the relationships between the then CAA and Seaview Air. I am

sure you would recall that report dated September 1996. On page 104 at paragraph 4.24 of that report Mr Staunton QC stated:

No doubt the benevolent treatment of industry and the apparent willingness to overlook quite serious breaches was given impetus by industry being declared the partner of the Civil Aviation Authority. Partnership envisages cooperation. Prosecution, cancellation or suspension are hardly the actions of a partner. They're acts of hostility.

And he continued:

The partner, as has been seen, became the customer. Officers were encouraged to become customer oriented. It was not then a large step to embrace what is a commonplace in commerce; that is, the customer is always right.

Can you comment on these findings in the context of the partnership model you are now in the process of implementing in the authority?

Mr Gemmell—Senator, that is exactly what I was commenting on a few moments ago. I said it is a question of balance and you have to be very careful with this thing. I am entirely conscious of the Seaview commission, which did suggest that previously the balance had gone too far in one direction. We have to be very careful of that and very conscious of that. On the other hand, the balance can go the other way and be equally difficult if what you are doing is taking some people with appropriate attitudes towards safety, mature operators with mature safety systems, and you spend your time whacking them for minor breaches of the rules. You will make no progress towards safety and you will create an antagonistic approach between the operator and the regulatory authority. That is the balance you have to find.

As I was saying before, when people are prepared to meet their obligations and to treat safety seriously, particularly in the major airlines where that is very much the case, we can have some success working with them and assisting them to achieve the objectives. Having said that, we still have to be prepared to take appropriate regulatory actions where they are needed.

Senator O'BRIEN—It sounds like a pretty fine line that this new group is going to have to tread.

Mr Gemmell—It is the fine line of the regulator all the time. Unfortunately we usually find out when it goes wrong.

Senator Ian Campbell—It is also a question, is it not, of who your customer is? Part of your customer is the flying public of Australia.

Mr Gemmell—The travelling public, yes. If you come to the conclusion that the airline is the one you have to work with all the time, you may get it wrong. That was the Seaview accusation.

Senator O'BRIEN—The flying public is not a customer; it is a stakeholder. It is not a customer of CASA. In what way is the flying public a customer, Mr Gemmell?

Senator Ian Campbell—But you are applying marketing and management terms to a regulator. The point I am making is they do not always match.

Mr Gemmell—Senator, I am very uncomfortable with the word 'customer' in any sense. That was the language that came out from the Seaview stuff. I am always troubled by the idea

that we have customers. We regulate people; we do not work for them and they do not work for us. They do not buy things from us; we do not sell them things. We have relations.

Senator O'BRIEN—Let me quote in part from the coronial inquiry into the Monarch Airlines accident, which says in part:

... it is clear that had the CAA management paid more attention to the law and less to accommodating their 'customers', NDU would have been grounded and the AOC suspended until the plane was safe to fly and these deaths would have been avoided.

In the inquiry undertaken by this committee into ARCAS Airways, a report which was tabled in October 2000 says in paragraph 4.14 on page 43:

In the broader context the concerns raised by this committee relating to CASA's administration of ARCAS echo the concerns raised following investigations into the Monarch, Seaview and Aquatic Air accidents.

Paragraph 4.15 reads:

The committee in particular notes the findings of the commission inquiry into the relations between CAA and Seaview Air. The committee found no evidence of corruption in respect of any CAA official but indicated an institutional timidity within the former CAA against taking strong action against operators. The committee believes that the administration of ARCAS by CASA can be characterised in similar terms.

That is not so long ago and we seem to be at least at risk of drifting back to what might have been seen by the inquirers as comfortable relationships which had an adverse impact on the policing of the regulations.

Mr Gemmell—Yes. We are conscious of that and it is something that needs to be managed. As I say, it is a balance between these conflicting issues. We have to make sure we strike the right balance.

Senator O'BRIEN—What mechanisms are intended to be put in place to make sure that these new arrangements do not tend towards those which have caused problems in the past? I think you have agreed that it is a fine line that has to be managed.

Mr Gemmell—The main approach we have at the moment when we have issues is close senior management attention to what we are doing in response to the various issues that we become aware of, to ensure that the punishment fits the crime. We are neither whacking people when we should be encouraging them, nor encouraging them when we should be whacking them. It is very often a difficult judgment that has to be made as to what is the appropriate response to the circumstances that we know about.

Senator O'BRIEN—With respect, the response that needs to be made if safety is in jeopardy is one in which the stakeholder, the public, sees their interest as being the dominating interest. That is the philosophy that has to apply.

Mr Gemmell—Yes, but there is a range of tools in the tool box that can be used, from minor counselling—which would be appropriate for minor offences—through to removing an AOC—which would be entirely inappropriate to apply if there was a minor offence. There is a range of factors in between. For example, if we see a series of things over a period of time, none of which in themselves would warrant any great actions but tend to suggest to us a

potential systemic problem with the airline or the operator, we spend some time considering what is the appropriate response to those sorts of situations and whether it is appropriate to take action against the licence; whether we can get the safety outcome that we are after with counselling and encouragement or whatever else—fines or any other means.

The objective is good aviation safety outcomes. It does not mean that we spend all our time grounding everybody if we find a problem with their operation.

Senator O'BRIEN—That in a way is creating a straw man for the argument. One of the concerns would be where there is a fault on an aircraft which arguably should have seen that aircraft not fly: the operator chooses to fly for economic reasons, and a response is required from CASA. How does your cooperative approach deal with circumstances such as that?

Mr Gemmell—If we found out about it we would investigate the circumstances. That would be reported. In the main that would be considered by the safety committee that would be considering the response that is proposed to that. It would either be happy with the response that is proposed or it might suggest an alternative to it. It would entirely depend on the circumstances: what it was, when it happened, why it happened and how it happened.

Senator O'BRIEN—The concern from some members of the flying public might be that if the message to the operator is that you can avoid a financial loss by taking a risk against a sanction by CASA and you perceive that the response of CASA is on the lighter rather than the heavier side so you are in front economically, then some people might say that encourages the airline to undertake the same behaviour again. How does this model deal with circumstances such as that, which I think we know occur from time to time?

Mr Gemmell—The model does not really change our response to those things. The model we have in mind, simply changing the suite of tools we use for surveillance, how we respond in an enforcement manner to the particular circumstance we find, will be largely unchanged. We do in fact expect, hope, to find more about the industry through our new model rather than less.

Senator O'BRIEN—This is a policy that CASA has agreed to. Has it been a policy that the minister has been consulted about?

Mr Gemmell—It is a policy that underlies our draft corporate plan that has to be submitted to the minister and approved by him.

Senator O'BRIEN—So it has the explicit approval of the minister.

Mr Gemmell—The minister has not approved the corporate plan at this stage, so I cannot say that has. He is aware of the initiatives we have been talking about.

Senator O'BRIEN—For CASA to proceed down this path, does it require the minister to approve the corporate plan?

Mr Gemmell—As I said, it is implicit: it underlies the corporate plan and the minister is required to approve the corporate plan.

Senator O'BRIEN—What I am trying to get at is: would the minister understand that by approving the corporate plan he will be approving this new approach?

Mr Gemmell—The minister is aware of the new approach that we have been proposing and certainly through this conversation here would be aware, perhaps more aware, of some of the risks that attach to it. I would be now amazed if he were not aware of the consequences of approving the corporate plan.

Senator O'BRIEN—I take it that you mean that if he reads the *Hansard* of this he will be more aware than he was prior to this evening?

Mr Gemmell—Yes. In a sense what you have done is pointed out some of the downsides of the partnership approach, which we appreciate are true. They come from previous examples that have existed. Certainly those examples are still burnt quite deep in the consciousness of CASA.

Senator O'BRIEN—I can only encourage CASA to draw the attention of the minister to the *Hansard*, if that is indeed necessary. I am assuming it is not, but just in case, because as a regular air traveller I am interested to know how the approach you are advocating will be made to differ from the approach so roundly condemned in previous inquiries.

Mr Gemmell—The minister has made it clear to us, and this is from the charter letter, that he expects us to:

... act as a facilitator for those who are genuinely trying to do the right thing while retaining the ability to act swiftly and decisively against those who deliberately flout aviation safety regulations.

That is the sort of balance that we have been talking about. That quote I just gave you was from the minister's charter letter. That is what we are trying to achieve.

Senator O'BRIEN—I suppose that sounds comforting in a sense. My concern is the type of example that I gave you of the balancing of the commercial necessity or desire of the operator versus what might be the optimum safety response, of how that is balanced and how CASA will deal with responses which lean perhaps a little too far towards the commercial rather than the safety priority.

Mr Gemmell—I can tell you that we take a very dim view of those who deliberately flout the regulations, and particularly major operators who we find deliberately flout them would find themselves in serious trouble with us. There are circumstances where they can inadvertently be in breach of rules and we would view that differently.

Senator O'BRIEN—Can we expect an even more vigorous response to those who it is established have knowingly breached the regulations and therefore endangered the public in some way?

Mr Gemmell—If we have the evidence that enables that to be established, you can expect some very severe follow-ups from CASA.

Senator O'BRIEN—Is there a way that the new system will enable CASA to reveal such behaviour more easily?

Mr Gemmell—We have some hopes and expectations about that. We would certainly hope and expect that by being out there more we would know more about those who might deliberately be flouting the rules. If they are deliberately flouting the rules, they will also be deliberately trying to hide that from us. We would be able to be more focused in what we go

and look at, then find them. We expect that might be more effective than the scheduled audits as we currently do it.

Senator O'BRIEN—Thanks for that. Can I now go to an email from Mr Peter Gibson to all staff, sent on 29 April at 19 minutes past nine in the morning. It is headed 'Recruitment freeze and temporary employment review'. The email advises:

As part of the our reform plan ... it is appropriate that CASA ceases any new external recruitment for appointments.

The email also states:

It is also appropriate for CASA to review the employment contracts and arrangements for fixed-term, temporary, and agency staff.

And it states that the review is to be conducted before the end of the financial year. How many fixed-term staff has CASA on its books and how many temporary and agency staff are currently employed?

Mr Gemmell—We have quite a number of temporary and agency staff on the books at the moment. We have, at 30 April, 42 temporary staff and 24 agency staff; 66 combined.

Senator O'BRIEN—What about fixed-term staff?

Mr Gemmell—They are our temporary staff and agency staff; that covered it. Our senior management group are on fixed-term contracts but we were not meaning to indicate that we were going to review their contracts. We were talking about temporary employees in that note.

Senator O'BRIEN—I note on page 87 of this year's PBS that average staffing levels for 2005-06 are expected to be 650 compared with this year's average of 680. Where are these cuts in staffing numbers going to come from within CASA?

Mr Gemmell—That stems from a few things. Three things in particular I would mention: we are going to complete a major program in the coming financial year, which is what you would know as the CASA IP program, which has been a major program running over the last few years. That will finish, on current timetable, later this year; the product of that will be rolled out. The benefits that flow from that flow, and costs and staffing that attach to it reduce.

We have been planning for some time the implementation of the regulatory reform program. We have separately given evidence here before that that is running slower than we anticipated, so we will not have the staffing levels we need for that. The third thing is from general efficiencies that we are looking to make in CASA. We are going to be reviewing business processes in CASA, particularly in the areas of corporate support, to ensure that we are providing them in the most efficient and effective way. We anticipate we might find ways of doing it more efficiently.

Senator O'BRIEN—How many will be excess to requirement as a result of each of those three considerations?

Mr Gemmell—I am not sure of those figures.

Senator O'BRIEN—Can you take that on notice?

Mr Gemmell—We will do our best. In a sense, we are pretty much guessing what might come out of the review about business efficiency processes. We have had to put figures in the

estimates, but we cannot be precise about where they will come from. We are targeting persons in the corporate support areas, but we will also look at our processes at the operational level. As I have said, we will be looking at our surveillance program and how we perform that.

Senator O'BRIEN—Revenue from government for CASA for the next financial year is down from \$114.239 million to \$106.53 million and the overall budget is down from \$119.321 million to \$117.073 million. How will those savings be made without compromising CASA's work?

Mr Gemmell—Some of that is the effect of the CASA IP—the funding going out of those things—plus there was a special one-off in 2004-05 to move us through the year. Our intention is to review our processes, particularly our corporates, to achieve efficiencies. We will also review our front-line business processes. By doing that, we expect that we can better focus our safety dollar. We recently put out information on what our priorities are to be, our passengers being the prime priority. We think that by doing that and changing the way we do our business, as I have explained—removing the audits, increasing surveillance, more time on the tarmac—we can produce better safety outcomes for our expenditure. Because we are moving into a program of cost recovery, we need to ensure that our costs are as efficient and effective as they can be—at the lowest level they can be—when we go to charge industry.

Senator O'BRIEN—You talk about the CASA IP as being likely to be completed in the near future.

Mr Gemmell—Yes. We expect the system that is the result of all that effort to roll out in September.

Senator O'BRIEN—What will the final cost of the whole project be at its conclusion? The original cost was to be around \$36 million. I am given to understand that it is now somewhere between \$40 million and \$50 million.

Mr Gemmell—No, that is not correct. I do not know where the \$40 million or \$50 million came from. There are some issues to do with how performance is calculated on the part of the contractor. The original cost of it was estimated at about \$34.5 million, but we are going to come in under that. Our best guess is \$32.6 million at this stage for that program, but that is variable according to how well they are assessed to have performed, because there are incentive performance arrangements.

CHAIR—Thank you very much for that.

Committee adjourned at 11.01 pm